



CORPORATE PHILOSOPHY & CORPORATE CULTURE

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CORPORATE PHILOSOPHY



PHILOSOPHY

- Oxford Dictionary definition:

Love of wisdom or knowledge . That which deals with ultimate reality, or with the most general causes and principles of things

- What is your philosophy (principles)
 - of doing business?
 - of how your employees should relate to each other?
 - of how you should treat your customers?
 - regarding upholding the law?

Philosophy

- The word philosophy has been derived from the Greek word “Philosophia” which means “LOVE OF WISDOM”
- It gives us two important starting points LOVE (passion) WISDOM (knowledge)
- Philosophy is the study of general principles and fundamental concepts connected with the existing knowledge, values, reasons, language, culture & customs.
- It tries to discover the nature of truth and knowledge and tries to find out what is important for life.

THE BRANCHES OF PHILOSOPHY:

1. *Philosophy of Education*



The Philosophy of Education deals with how should be educated, what they should be educated in, and what the ultimate purpose of education should be for society.

2. Philosophy of language:



This is concerned with how our language affects our thought.

3. Philosophy of History



The Philosophy of History is a relatively minor branch in the field of philosophy, focusing on the study of history, writing about history, how history progresses, and what impact history has upon the present day. This is can be referred to as the Critical, Analytical, or Formal Philosophy of History, as well as the Philosophy of Historiography.

4. Legal Philosophy



Legal Philosophy focuses on laws and legal systems: how laws came to be, what laws are better than others, what the purpose of law should be, whether or not laws should be obeyed, etc.

Because political systems are dependent upon the law, legal philosophy is at the heart of political philosophy.

5. Logic Philosophy:



It is the proper methods of thinking and reasoning. It aims to study the correct ways of suggest, the correct ways of studying philosophy in general

6. Philosophy of mind:



The relatively recent specialty known as Philosophy of Mind deals with the consciousness and how it interacts with the body and the outside world.

It asks not only what mental phenomena are and what gives rise to them, but also what relationship they have to the larger physical body and the world around us.

8. Philosophy of science



This is concerned with how science operates, what the goals of science should be, what relationship science should have with society, the differences between science and other activities, etc.

Everything that happens in science has some relationship with the Philosophy of Science and is predicated upon some philosophical position, even though that may be rarely evident.

CORPORATE PHILOSOPHY:

Corporate philosophy means, “it is an corporate or business entity commitment or understanding towards Business Vission & Mission, Business Principles, Business Ethics, Business Rules & Objectives, Business Knowledge, Business Value & System, Business Practices, Business Customs & Culture of the Business”.

Scope of the corporate philosophy:

- Respect for the law & compliances.
- Respect for the customer
- Respect for the employees
- Respect for the other stakeholders
- Respect for the good conduct in the business.

ETHICAL PHILOSOPHY:

□ DENOTOLOGY:

It is derived from GREEK word “DENO” means ‘duty’. It emphasizes duty as the basis of moral values. An approach which focuses on the rightness or wrongness of the action / decisions.

□ TELEOLOGY:

GREEK word “TELOS” means ‘end’. It is philosophy study of the design which holds all things to be designed for a firm. Its deal is depending on what is good & what is bad. It is considered as ultimate good.

❑ EGOISM:

An action is morally correct if it increases the benefits of individual in a way that does not initially hurt.

❑ UTILITARIANISM:

Moral worth of an action is solely determined by its contribution to overall utility.

❑ RELATIVISM:

some events , experience are related to one another.

Corporate Culture



Corporate Culture

- Culture represents the collective programming of the mind.
- Defined as “the set of key values, beliefs, understandings, and norms shared by members of an organization”
 - Has visible and invisible components
 - Can enable or destroy a strategy
 - Is very hard to change once set.
- Values are what you live your life by
 - They help you make critical choices in life
 - Especially a spouse, a partner
- For some people, they are the most important things in their life
 - People die for freedom, or to save another person
 - People work in the service of others.

- **Integrity** means trustworthiness
 - It is a value
- It is unique in that it takes a very long time to achieve, yet can be destroyed in a moment
 - Integrity has to be earned
 - It's a never-ending journey
 - For many, it's worth having.
- **Morality** has to do with right and wrong
 - **moral** if know the difference and choose right
 - **immoral** if know the difference and choose the devil
 - **amoral** if either don't know the difference or don't care
- Some add notions of legal vs. illegal behavior to morality

- Loosely defined, it's "the way business gets done around here"
- Culture takes its lead initially from the founder.
- The founder or promoter can lay the foundation for corporate culture.

Corporate culture is a blend of ideas, customs, traditional practices, company values & shared meanings that help to define normal behavior for every one who works in a company. Every organization has a culture & it exercises considerable influences on employees behavior. It is also defined as the personality of organisation.

3 different types of ethical yardsticks, they are:-

- Egoism
- Benevolence
- principle

These ethical yardsticks can be applied to dilemma's concerning individuals, one's company or society at large .

Example :-

1) **Egoism** -

If the manager used egoism to think about ethical problems, he would be more likely to think 1st of self interest, promoting the companies profit & striving for efficient operations at all costs.

2) **Benevolence** -

If a manager approaches ethical issues with benevolence in mind, he would stress friendly relations with employees emphasis the importance of team play & cooperation for the companies benefit & recommends socially responsible courses of action.

3] Principle –

If a company's ethical climate depends on which combination of these responsibilities. Thus, corporate culture & ethical climate can put much pressure on people to channel their actions in certain directions desired by the company.

The company having strong corporate culture, it provides, -

- Shared philosophy.
- Value the importance of people
- Respect for the high achievements.
- Carrying & sharing approach b/w the member of management & other employees.

Therefore, a company which is constantly engaging in ethical practice, implementing ethical way in its programmes & instituting the codes of conduct will contribute in beginning the corporate culture of a company.

ARGUMENTS IN FAVOUR & AGAINST :

“Good business ethics promotes Good business” well known authorities like Raymond Baumhart, Brener & Molander, Strom & Ruch, in their research findings have made it clear that only those business can develop on a long term basis which conduct their activities on ethical grounds.

At the same time, there are certain others who do not accept this findings that “good ethics promotes good business”.

So, there are some arguments in favour & against , they are:-

Arguments in Favour:

once Robert Day has said that good ethics not only promotes professionalization in management. But it purify the inner mind of every businessman.

❖ Satisfaction of subconscious mind:

Certain people consider only good ethics can promote good business, as the ethical conducts give satisfaction to their subconscious mind. Many businessman first behave like individuals & then work for satisfaction to their inner subconscious mind. A person may not take any decision which does not give him mental satisfaction.

❖ Mutual trust & confidence:

When ethical conduct is displayed, it puts some kind of trust & confidence in relationships.

❖ Goodwill of business & businessman:

Ethical conduct of business increases the goodwill of business & the businessman, both. It is a known fact that nobody likes to deal with a mischievous or fraudulent businessman. At the same time, people do like to deal with a good businessman, but introduce him with others also, for regularity in dealings.

❖ Protects each others:

“Good ethics is sound business insurance”, it protects people in dealing with each other.

❖ Professionalization of management:

Management cannot become a profession so far as it does not follow good ethics. An important feature of a profession is that it has a laid down code of conduct, which remains on the principle of “service to humanity”.

❖ Initiative for others:

Businessman who follows the ethical principles in the conduct of business, it motivates others also to follow the same principles.

❖ Releases from tensions:

A businessman who follows the ethical principles in the conduct of business, it releases himself from tensions or worriers. He needs not have the fear of legal action on social boycott.

❖ Greater zeal & productivity:

There will be a greater zeal of a person who follows the ethical principles in business. This will increase his creative capabilities & be success in achieving his objects.

❖ Perceptual succession:

Ethical conduct of business leads to development & perceptual succession of business. The business may prosper in the shadow of ethics.

❖ Essential at the present situations:

the following situations compete a business to follow ethical principles:-

- ❑ Increased competition
- ❑ Development of buyer oriented marketing strategy
- ❑ Birth of consumer movement
- ❑ Development of labour unions.

Arguments in Against.

The critics give the following arguments in support of their actions/ claims –

❖ No resistance from officers:

The officers at higher level do not resist the unethical conduct of business. They are only concerned with the end results.

❖ Demand of the day:

Some people believe that unethical conduct is the demand of the day. They console themselves by stating this fact that they themselves are also doing the unethical acts from the inducement of others.

❖ Reward for ethical conduct:

There is no reward whether you conduct the business on ethical principles or not. In the research study found that 50% of the people believe that there is no reward for the ethical conduct of business.

They give the following reasons behind this argument.

- ✓ Consumers may not have any knowledge about determination of price or quality of the products based on ethical ground.
- ✓ Investors also do not have any knowledge about the unethical conduct of business.
- ✓ Employees & general public do have no knowledge of unethical conduct of business.

Even if these categories of people have knowledge of the unethical conducts of business, their decisions do not have any impact on the business decisions.

❖ Difficult to decide in a situation of dilemma:

Many times, it becomes difficult for a businessman to decide which act is ethical & which is unethical. Circumstances may arise in which a businessman finds it difficult to choose either an ethical act or an unethical act, more important may be the matter of survival. He gives priority to the survival of business & thus he may choose an unethical conduct, if it gives him short run benefits.

Therefore, an evaluation of these 2 arguments makes it clear that,

- Ethical conduct of business will provide a long term existence of business & success of business depends on it.
- Unethical conduct of business, sometimes gives short term benefits.

But for the perceptual succession of business is depends on ethical conduct of business.

MANAGING ETHICS & LEGAL COMPLIANCES.

MANAGING ETHICS:-

In the past, it was assured in most companies that ethics was a matter of individual conscience. But the scenario was changed. Today , many companies are using managerial techniques that are designed to encourage ethical behaviour.

There is need to motivate the businessman to follow ethical principles in the everyday conduct of business. 10yrs ago, a Business Round Table report title corporate ethics: A Prime Business Assist suggested that “ there are number of precise ways to measure the end results of wide spread & intensive efforts to develop effective coporate programmes.

There are number of measures to motivate them for ethical conduct in business. These measures are as follows,

- ✓ Top management attitudes
- ✓ Building ethical safeguards into the company.
- ✓ Ethics committee
- ✓ Ethics training programmes
- ✓ Ethics audits.
- ✓ Efforts by social service institutions.
- ✓ Political indiscipline
- ✓ Preaching by religious preacher's.
- ✓ Ethical codes of conduct.
- ✓ Leaders commitment to the ethics.
- ✓ Fair treatment of employees & other stakeholders.
- ✓ Rewards for ethical conduct.

LEGAL COMPLIANCES:-

A firm's approach to ethics & legal compliances management has an enormous impact on employee's attitudes & behaviour's.

In this specific characteristics of the formal ethics or compliance program matter less then broader perceptions of the programme's orientation towards value & ethical aspirations.

The perception that the ethics or compliances program exists only to protect top management from blame. Some have proposed that ethics management must be integrated into daily organizational life in order to be effective.

There are 7 outcomes, relevant to effective compliance management. They are , -

- ✓ Unethical / illegal behaviour.
- ✓ Employee awareness of ethical / legal issues that arise at work.
- ✓ Compliance advice with in the company.
- ✓ Delivering bad news to management.
- ✓ Compliance violations are reported in the organization.
- ✓ Better decision making in the company because of the compliance program.
- ✓ Employee commitment to the organization.

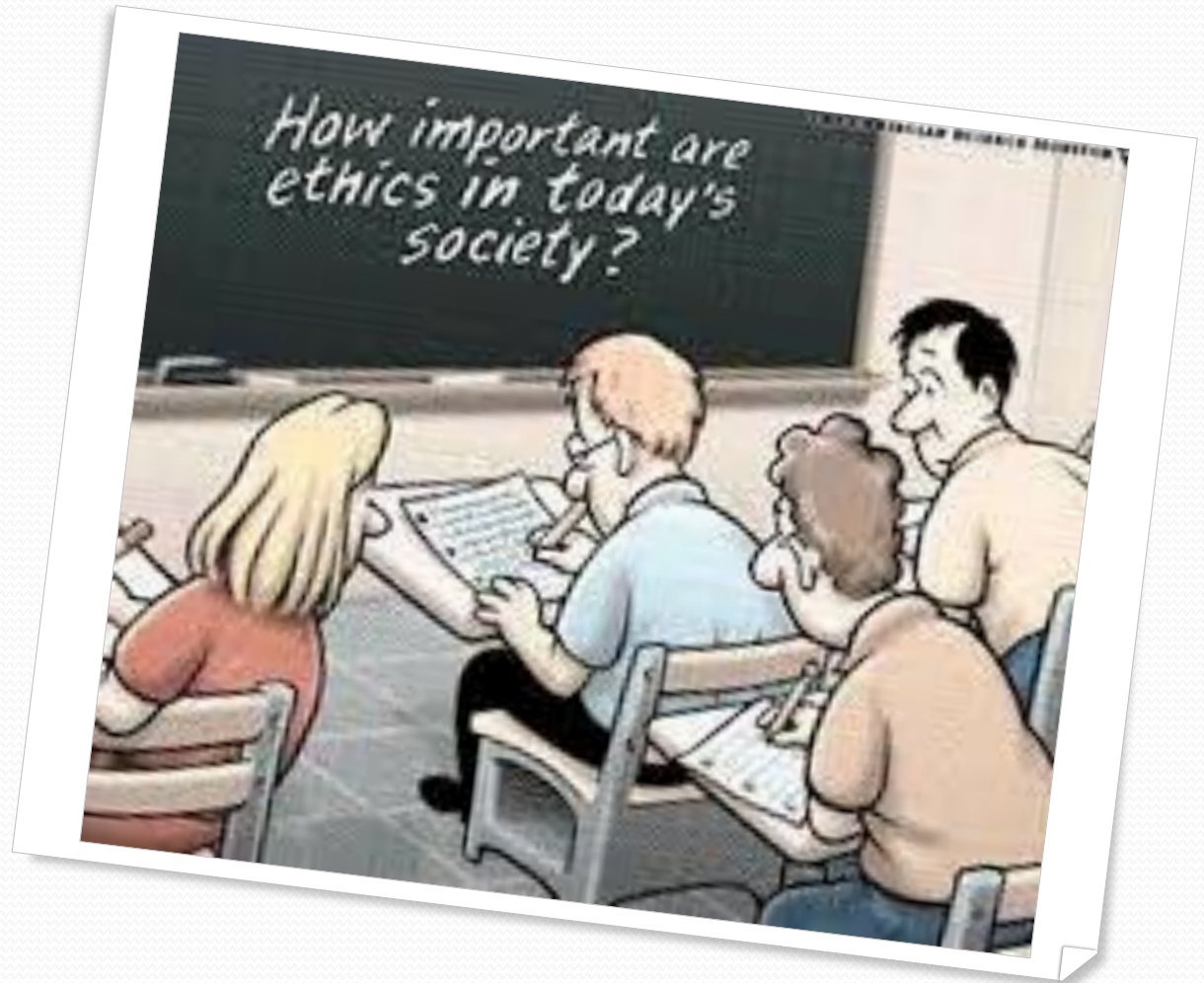
In the legal compliance of an organization, as certain Laws, Rules & Regulations, Acts, are formed such as,

- Companies Act 1956
- Industrial Dispute Act
- Income Tax Act
- Sales Act
- Labour Act
- Consumer Protection Act 1986 [COPRA]
- Brokerage / Commission Act

Which are formed under guidelines by the SEBI, RBI, IRDA & competition Commission etc.,

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.



ETHICS IN BUSINESS FUNCTIONAL AREAS :

The ethics involved in the different functional areas are:-

- ❖ Human Resource Management
- ❖ Marketing/ Marketing Management
- ❖ Accounting/Finance
- ❖ Information Technology

HRM:

What is HRM:-

HRM is strategic activity which acquires, motivates, develops and manages the human resource of an organization. It deals with the management of people in an organization.

It is assessed and accepted that HR as the man component of an organization and the success or failure of the organization depends and have effectively this component is managed.

Introduction of Ethics in HRM:-

There are many business decisions that do not floret the law, but raise several ethical questions. The manner in which a business deals with its employees is a clear indication of its ethical character.

If a business is to maximize long term owner value, it must be behave ethically towards its employees.

HRM occupies the sphere of activity of recruitment, selection, orientation, performance appraisal, training and development, industrial relations and health and safety issues.

Business Ethicists differ in their orientation towards labour ethics. Some assess human resource policies according to whether they support an good workplace and the dignity of labour.

EXAMPLE:

Trade unions

- Unions for example, may push employers to establish due process for workers, but may also cost jobs by demanding unsustainable compensation and work rules.

- Unionized workplaces may confront union busting and strike breaking and face the ethical implications of work rules that make advantage of some workers over others.

□ Management strategy

Among the many people management strategies that companies employ are a "soft" approach that regards employees as a source of creative energy and participants in workplace decision making, a "hard" version explicitly focused on control and Theory Z that emphasizes philosophy, culture and consensus.

None ensure ethical behavior. Some studies claim that sustainable success requires a humanely treated and satisfied workforce.

Meaning :

Ethics in HRM means ethical principles or moral principles followed by a HRM in its function. It must behave ethically towards its employees. Treating employees ethically does not mean that the business should work towards the achievement of business objectives.

Ethics is personal function deals with all the issues in relationship b/w the employees and the business.

Importance of Ethics in HRM:

Ethics is important to business in general and in particular for several reasons as stated below:

- ✓ Ethics corresponds to basic human need. It is main basic nature that he derives to be ethical it only in his personal life but also in his business affairs.

- ✓ Values gives the management credibility with its employees, values are supposed to be a common language to bring the leadership for its people together, organizational ethics. When perceived by employees as genuine create common goals value for language.
- ✓ Value help better decision making.
- ✓ Important is ethical attitude helps the management make better decisions related to interest of public, employees and companies own long term good running.
- ✓ Ethics and profit go together a company which is inspired by ethical conduct is also profitable.
- ✓ Employers must consider workplace safety , which may involve modifying the workplace, or providing appropriate training or hazard disclosure.
- ✓ Larger economic issues such as immigration, trade policy, globalization and trade unionism affect workplaces and have an ethical dimension, but are often beyond the purview of individual companies.

ETHICAL ISSUES IN HRM

Ethical issues about in HR activities. Areas of ethical issues conduct in the personal function include employment remuneration and benefits, labour relations, health and safety, training and developments. They are

- ❖ Ethics is employment contract.
- ❖ Ethics in hiring
- ❖ Remuneration of ethics
- ❖ Performance Appraisal
- ❖ Employment issues
- ❖ Privacy issues
- ❖ Restructuring and lay offs.

❑ **Ethics in employment Contract:**

The employment contract is a legal document that governs the relationship b/w a business and an employee. It spells at the tasks and responsibilities of the employees remuneration, hours of work, location, travel requirements etc, the term of an employment contract tend to be clearer for a manual worker than for a professional employees.

❑ **Ethics in hiring:**

The most important step is hiring is selecting the persons who should be hired. what ever the purpose of the reject principle of selection could be to hire that individual who is perceived as having the ability to contribute most to the long-term opener value.

Ethical selection is all about acting in a way that is honest, fair, non-biased and legal. An ethical personnel officer evaluates the candidates for a given post based on the same criteria, they are:

- Discrimination
- Race
- Disability
- Gender qualified
- Ageism
- Credentials
- Testing
- Equality of opportunity.

❑ Remuneration Ethics :

It is the act of rewarding employees in proportion to their contributions to maximizing long term owner value. This is considered ethical when is fist for equitable . Remuneration is not only monetary rewards for work but includes fringe benefits ,perks recognition and promotions.

Thus ethical Remuneration is about rewarding any action that contributes to long term owners value.

Some of issues are;-

- ✓ Ethical based on –Need, effort and ability
- ✓ Seniority and loyalty
- ✓ Cash and incentive plans

❑ Performance Appraisal :

It is a method of evaluating the behaviors of employees in the work spot. It covers both quantitative and qualitative aspects of Job performance.

It is essential an understands and improves the employees performance through HRD, in addition to salary, revision, promotion and transfers. The following methods are used for appraisals.

They are:-

- Graphic rating scale
- Paired comparison method
- check list method
- 360° appraisal
- Ranking method
- Forced distribution method
- Critical incident method

❑ **Employment issues:**

In developing world the employment issues are still to get stabilized satisfactorily. The employment working conditions, exploitations and unfair practices still continue due to lack of organization amongst employees.

Some of examples are ,

Hiring - firing, dual responsibilities of women knowledge base, reverse monitoring, ultimate hours of work, talent and compensation.

❑ **Privacy issues:**

Employees right to privacy come to mean to be left alone in other than working hours on employees is free to spend time as he likes, during working hours every employee should have adequate “space “or “Zone’ of Privacy”.

This is to protect employees indeed for peace, their dress, manners & growing their personal property in the work place for a long time.

Some of the course uphold privacy violation as follows:-

- ✓ Intension in locker room & bath rooms by surveillances'.
- ✓ Publication of private matters
- ✓ Disclosure of medical records
- ✓ Appropriation of an employees name for commercial uses.
- ✓ Removing or accessing employee E-mail, unauthorized way.

❑ Restructuring & Lay offs:

HRP under goes structuring of departments & these are periodically restructured due to 1 or more of following reasons are,-

- ✓ New recruits
- ✓ Lay offs, retirements, retrenchments etc.,
- ✓ Promotions, transfers.
- ✓ Change of location, process & products.

With improvements in technology, facilities, communication & processes encourage of employees in part of business practices & is not unethical.

Sometimes it is adopted to infuse new talents & youngsters to need out the veteran employees who are unable to adopt for fast changing new techniques, skills & machineries.

Ethical issues in Marketing/ Marketing Management

Introduction:

Marketing Ethics came of age only as late as 1990's. Marketing ethics was approached from ethical perspectives of virtue or virtue ethics, Deontology, consequentialism, pragmatism and relativism.

Ethics in marketing deals with the principles, values and/or ideals by which marketers and marketing institutions to be act. Marketing ethics is also contested terrain, beyond the previously described issue of potential conflicts between profitability and other concerns.

Ethical marketing issues include marketing redundant or dangerous products/services transparency about environmental risks, transparency about product ingredients such as genetically modified organisms possible health risks, financial risks, security risks, etc., respect for consumer privacy and autonomy, advertising truthfulness and fairness in pricing & distribution.

According to Borgerson, and Schroeder (2008), marketing can influence individuals' perceptions of and interactions with other people, implying an ethical responsibility to avoid distorting those perceptions and interactions.

Marketing ethics involves pricing practices, including illegal actions such as price fixing and legal actions including price discrimination and price skimming. Certain promotional activities have drawn fire, including Green washing, bait and switch, shilling, viral marketing, spam (electronic), pyramid schemes and multi-level marketing. Advertising has raised objections about attack ads, subliminal messages, sex in advertising and marketing in schools.

Companies should formulate code of ethics that can help in framing policies at every level of marketing & where employees can follow uniform standard of ethics.

As stakeholder, shareholder marketer's, supplier's, competitors customers decide the marketing outcome, analysis have realized the need for clear cut ethical standards in marketing management.

Donaldson & Davis, that a common ethical standard is important for shared values & to bring in higher quality in products, processes & services & also for better output & achievement.

There was a research focused on 4 areas conduct of business, employee relations, social responsibility & environmental concern. The results from this should that managers professionals had high consideration for ethical issues.

❖ Ethical issues in marketing strategy:-

Marketing strategy is a plan designed to attain the marketing objectives of a firm. It decides the success of the corporation, right from the business unit level.

Marketing strategy are now being directed to achieve higher standards of ethics as it is in public scrutiny. Hence is strategy formulation a company must consider the effect of its decision on the company, the customers & on one's own integrity.

The ethical issues in marketing involve the share adopted by a company towards its competitors. Strategies framed by a companies can bring in rivalry among market players and at times wife out a players & establish a company as a main player in the particular market segment

Strategies like competitive pricing, effective advertising, distributing strategies, product development, efficient supply chain etc., raise questions about whether companies are being ethical when they carry out competitors in the market.

❖ Ethical issues in marketing mix:-

Marketing mix which includes McCarthy's 4P's of plays in crucial for the marketing decision process. Assembling & managing these 4P's is an important task for any marketer as they play a crucial role in framing of strategies. It also includes the services aspects of people, physical evidence & process.

➤ Product:-

Product is designed as that which satisfy the need of a consumer & from which he can desire value for the price he pays. It also embody the ethical decisions made at the corporate level. Companies that produce products like cigarettes & infant milk supplement are usually criticized for doing, so there have been debates regarding advertisement regulation proposals for these products.

The other ethical aspects in products include updating of consumer products. Many critics argue that updating products is unethical. When product is updated service or spare parts for earlier version may no longer be available. This creates dissatisfaction among customers & they mat not be willing to buy a new product from that particular company.

➤ Price:-

It is not always an important criterion for all buyers while making their purchase decision. The ethical marketing decision involved in price is not always visible. It means that the price of a product may vary depending upon the demand for the product with consumer concern focused on healthy food they may be willing to pay more for products that they consider being healthy and important.

Experienced buyers and sellers can tell whether a particular price of a particular product of a particular quality is fair. When companies adopt practices of increasing the prices because of the consumer's ignorance then they are pricing unethically.

➤ Place:-

It refers to sum of locations by which the product moves from the suppliers to the consumers. It also includes the process of distributing the product and type of service offered. Un ethical practices arise in place when the marketer stops distinction at a particular place because of not yielding profits. The other ethical aspects involved in place are the employee the marketer lays on health products.

➤ Promotion:-

All companies are advertising and public relations strategies to attract more customers. The method that a company adopts to promote its products and the way it communicates to its consumers and advertising code of ethics.

Selling practices include hard selling and soft selling techniques. They are,-

- ✓ Hard techniques, is related to signing a sales agreement by reinforcing the consumer possibilities towards price reductions, gift coupons etc.,
- ✓ Soft techniques, is companies communicate accounts to desires & emotions of customers. Unethical practice in advertisement, which focus on attaining the competition products, one not allowed, spreading unfound & damaging rumors about a competitors would be unethical practice.

■ Ethics in Accounting / Finance :

The concept:-

Accounting is defined as “ the process by which any business keeps track of its financial activities by recording its debits & credits & balancing its accounts.”


Accounting ethics is primarily a field of applied ethics, the study of moral values and judgments as they apply to accountancy. It is an example of professional ethics.

Accounting ethics were first introduced by Luca Pacioli, and later expanded by government groups, professional organizations, and independent companies.

Ethics are taught in accounting courses at higher education institutions as well as by companies training accountants and auditors.

Due to the diverse range of accounting services and recent corporate collapses, attention has been drawn to ethical standards accepted within the accounting profession. These collapses have resulted in a widespread disregard for the reputation of the accounting profession. To combat the criticism and prevent fraudulent accounting, various accounting organizations and governments have developed regulations and remedies for improved ethics among the accounting profession.

Accounting provides a system of rules & principles which govern the format & contents of financial statements. By adhering to the principles & practices is the system of an organisation. Accounting can provide a fair & accurate reporting of the financial position of a business.



The ethical issues surrounding accounting practices are under reporting income falsifying documents, allowing or taking questionable deductions, illegally evaluating incomes taxes & engaging in fraud.

It was discusses the importance of ethics in the accounting profession with emphasis on the financial statements, the transparency is disclosure of financial statements and the ethical issues in information technology.

THE IMPORTANCE OF FINANCIAL STATEMENTS

The characteristics of companies that are promotion to fraud are reoffered in it. Fraud in financial statements can be committed in 5 heads, they are:-

➤ Fictitious Revenues :-

Fictitious revenues are those, which are shown in the books but are not actually earned. The method by which this takes is to book non-existent revenue and simply creating Journal entries by debiting a/c's receivable and sales.

Some times false sales are shaven to existing customers, smart accountants select transactions with a few major customers . Such as large organizations and governmental agencies that they know will be difficult to confirm.

Some times major vendors are willing to provide false confirmations about their accounts to the auditors. Fictitious revenues can be detected by comparing financial statements over a period of time, examining unusual Journal entries and verifying, supporting sales documents and unusual sales transactions.

➤ **Fraudulent timing differences:-**

Another way companies overstate assets and income is by taking advantage of the accounting set off period to either boost sales and / or reduce liabilities and expenses. Fraudulent timing differences can be eliminated by early revenue recognition and delayed recording of expenses.

➤ Concealed liabilities:-

Concealed liabilities and expenses that are not shown in the financial statements of a company. When companies do not record certain liabilities or contingencies under state or omit warranty costs and liabilities and report revenue rather than a liability when cash is received.

➤ Improper or fraudulent disclosures or omissions:-

Fraudulent disclosures or omissions are intentional or reckless conduct that remits principle (GAAP) require adequate disclosed in the financial statement. Any material fact not covered in the financials should be disclosed in accompanying footnotes. One form of fraudulent financial reporting is creative accenting.

This is done by using accounting principals selectively and interpreting transactions or events in such a way as to provide a misleading picture of the operations. The manipulation of faked assets such as building or machinery is a common strategy. The attraction of the creative accounting is that the value of the stock and the work in progress can be very subjective. Cash is another good area for the creative accountant . The amount of cash in the business can be manipulated by varying the timing of payments and receipts.

➤ Fraudulent Asset Valuations:-

These are the valuations that take place usually in estimating the inventory. Managers can sometimes falsely state the amount by inventory present

The above are the 5 most commonly committed frauds is financial statements. Financial statements play an important role in the business. Hence organizations should try to look into these aspects to avoid manipulations in their accounts.

CHARACTERISTICS OF MANAGEMENT PRACTICES LEADING TO FRAUD

- ✓ Unduly aggressive financial targets.
- ✓ Domination by person or group without controls
- ✓ Major performance-related compensation
- ✓ Aggressive accounting practices to keep stock prices high.
- ✓ Inadequate monitoring of significant controls.
- ✓ weak corporate ethics

- ✓ Non-financial personnel involved the accounting methods.
- ✓ High degree of innovation and progress such as it's the technology industry.

TYPES OF FINANCIAL ACCOUNTS

To avoid manipulations in financial statements it is important to know the type of accretes that a business have two sets of a/c's, they are-

- ✓ **Financial A/c's -**

There are the accretes which compares use to report to their shareholders. Financial a/c's are reports a business to public and must therefore provide a true statement of a companies financial position. A company can survive if it has the trust and confidence of its shareholders. This requires ethical reporting by the accountants.

✓ Internal management Accounts -

These show the internal operations of the business and its financial activities. Trustworthy initial accounts are essential for a business to function smoothly. Since finance underlines a business all the transactions and activities should be recorded in the a/c's. This is essential to help the management determine whether finance is being help systematically used or not.

Management accounts help the management to evaluate the business activities and identify operational problems. For a/c's to be true fair and reliable the financial rules must be applied appropriately and consistently. The methods used for gathering the data must be consistent.

Both the financial a/c's and the internal management a/c's must provide the information that is required.

THE RULES REGULATING THE PROFESSIONAL CONDUCT OF ACCOUNTANTS


Rules and standards have been established to regulate the accounting function. Accounting standards are a collection of generally followed accounting principles, policies and practices. These help to ensure a common basis for the financial statements of different organisation, thus enabling people to understand them more easily and make useful comparisons. The professional conduct of member of the accounting bodies is governed by rules and standards. These include both technical and ethical rules.

Technical rules standardise the concepts, techniques and methods to be used by accountants. In India, the companies Act 1956, regulates the form and content of the financial statements.

In India, Accounting standards are prepared by the Accounting Standards Board, which has been set up by the Institute of Chartered Accountants of India, largely been influenced by those followed in the UK. No regulatory body is specifically responsible for the establishment of accounting principles.

THE ETHICAL AUDIT

Just as a financial audit examines a business financial statements to ensure that they have been generated, according to GAAP, the main purpose of an ethical audits to check the actions of a firm, which are directed at maximizing long term owner value and the extent of distributive Justice. Distributive Justice is a technological approach to ethical decision making and one that is based on the concept of fairness. This approach is concerned with the equitable distribution of goods and services



An ethical Audit assesses the business structures and procedures, systems and policies. The value of the ethical audit is that it enables the co's to see itself through a variety of lenses. It captures the co's ethical profile. Co's recognise, the importance of their financial profile for their investors, of their service profile for their customers, and of their profile as an employer for their current and potential employees. An ethical profile brings together all of the factors which affect a co's reputations by examining the way in which it does business.

One of the greatest benefits of the ethical audit is that it assists the company to scan the entity to identify the issues which are most likely to provoke action by pressure groups, and in turn gives the company the opportunity to encourage such groups to participate in the decision making process or at the very least to inform them fully of the co's position.

It is often believed that an ethical audit measures business conducts against the varied moral or religious standards of a community. But this is not true, as it measures a business standards and procedures against principles of maximizing owner value, distributive Justice.

THE MAIN OBJECTIVES OF AN ETHICAL AUDIT ARE SUMMARIZED BELOW

- ✓ To determine the extent to which the Decision taken at all the levels of an organisation are towards maximising Long term ownership value and how well they are framed towards achieve Justice.
- ✓ To help in providing a critical assessment of how well a business is actually run by systematically evaluating its business practice.
- ✓ To help is scrutinizing the basis on which accretes are drawn and also evaluates whether management has reliable information is running the business
- ✓ To help businesses undergo major alterations like restructuring ethical audits are important for investigating into acquisitions or structuring operations.

- ✓ To determine the type of training necessary for the employees if the objectives and standards of business are either misunderstood or not properly implemented by them. An ethical measure to the effectiveness of such training
- ✓ To help in establishing an ethical code of conduct for a business. This provides an objective measure when external auditors are performing audit
- ✓ To help in establishing ethical conduct of business and this helps in attracting valuable investments.
- ✓ To enhance, measure and promote the quality that increases business performance by assessing them against the ethical business objective.
- ✓ To improve the quality of governance by evaluating the performance and entering that financial information is both available and reliable

✓ To help the stakeholders to evaluate the performance of the directors and also the directors to evaluate the performance of the stakeholders .

It is important to note that ethical auditing is a comprehensive and integral approach, integral, because if countries different methodologies and comprehensive, because it takes the entire organisation into consideration with all different prospective that prevail in different functional areas. By conducting an ethical audit a business can also its stakeholders that it is committed to ethical performance.

STANDADARDS FOR ETHICAL CONDUCT :-

they are:-

❑ Competence-

- ✓ Maintain an appropriate level of professional competence by on going development of their knowledge and skills.
- ✓ Perform their professional duties is accordance with relevant laws, regulations and technical standards. Prepare complete and relevant and recommendations after appropriate analysis and reliable information.

❑ Confidentiality

- ✓ Retrain from disclosing confidential information acquired is the course of that work except when authorized unless legally obligated to do so.







Production

- This area of business ethics usually deals with the duties of a company to ensure that products and production processes do not needlessly cause harm. Since few goods and services can be produced and consumed with zero risk, determining the ethical course can be problematic. In some case consumers demand products that harm them, such as tobacco products. Production may have environmental impacts, including pollution, habitat destruction and urban sprawl. The downstream effects of technologies nuclear power, genetically modified food and mobile phones may not be well understood. While the precautionary principle may prohibit introducing new technology whose consequences are not fully understood, that principle would have prohibited most new technology introduced since the industrial revolution. Product testing protocols have been attacked for violating the rights of both humans and animals

- Marketing ethics is a set of moral conduct which deals with operation and regulation of marketing activities. It is all about your personal behavior when you are dealing with people around you. People around you mean your customers, suppliers, partners, employees, competitors, share holders and society as a whole.
- Company ethics are involved in each and every department, but marketing department is the most prominent one. Companies sell their products by using different marketing tactics and sometimes involve unethical aspects in order to expand their business.
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- - Marketing is chiefly comprised of four P's i-e product, price, place and promotion. Here I will discuss each of them with respect to ethical issues in marketing.
- **Product:**
- Product is a tangible item which a company manufactures and sells to its target market. In some way or the other, they tend to perform unethical acts to gain customers attraction and loyalty.
- > Companies copy others product which misleads the customers. And eventually they forget the original version, which is ethically wrong.
- > Manufacturers use low quality materials for product design, which can harm customers.
- > Fake companies slightly change the products' brand name or packaging so that customers do not classify the difference and buy it at cheap prices.
- **Price:**
- From the perspectives" of ethical issues in marketing, price is the most important factor to consider. Companies increase their revenues by selling unjustifiably. There are some ethical issues with respect to price, which are given below:

- > Supplier sells identical goods and services at different prices to different customers, it is called price discrimination. It may be the result of excessive product demand, high material cost or customers' affordability factor.
- > Pricing strategy in which marketers initially charge quite high prices for their products then lower down prices over the time is called price skimming. The goal is to recover the cost and reap the benefits before competitors enter with their low-priced products.
- > When a manufacturer of one country exports its product to another country at a lower price than its production cost or the price which he charges in its home market is called price dumping. The purpose of this act is to attract customers towards the products thus, making them habitual of using your product.
- **Promotion:**
- Advertising and promotion is a vast field of marketing, there are lots of things which can be taken unethical but are called marketing tactics. Some of the issues that are truly immoral are given below:
- > Comparative advertising is unethical; when one company compares their products with competitors in order to capture their market. They compare prices, quality, quantity, features and benefits to show that they are superior to others.

- > Some advertisements exaggerate products benefits and features while in actual, they are not like that. This is an unethical as well as an illegal act.
- > Celebrity endorsement in advertising is another ethical issue, when they play with the emotions of public to sell their products and services.
- **Place:**
- > Multinational companies sell their products with different prices at different countries in order to make large money.
- > Climates differ according to geographical area, so one product that suits citizen of one country may not go well with other citizens. It is unethical to be less concerned with respective to geographic region.
- Ethical behavior is a prominent factor for any business conduct. It is your right and just behavior that brings in more customers, help you expand your business and reap long term benefits.
- This is the role of marketer to make sure that everything goes with high ethical standards and moral values. And these principles are being taught in professional studies. You should make yourself ethically strong in marketing perspectives because this is extremely demanding in today's competitive environment.
- I would suggest you to acquire an online marketing degree. And you will be acquainted with ethical side of marketing. It will be a fruitful decision for you, in terms of time, money and efforts.
- There are lots of accredited institutions which are providing online marketing degree; you can select any appropriate one, to acquire degree in a most flexible way!















