**Subject: Business Economics** 

Course: B.A., 6th Semester, Undergraduate

Paper No: 602

Paper Title: Business Strategy & Ethics

Unit No.: 5 (Five)

**Title: Business Ethics** 

Lecture No: 1 (One)

Title: Business Ethics (Part - 1)

**Academic Scripts** 

Introduction:

This chapter will enable the reader and listener to:

To examine the meaning of value

• Learn the importance of value

Understand the difference between terminal and instrumental values

Describe the different types of formation of values as per Rokeach Value Survey

Outline the attributes of values

Define value system

Understand value differences between groups

Know values and behavior

Value:

Generally, value has been taken to mean moral ideas, general conceptions or orientations towards the world or sometimes simply interests, attitudes, preferences, needs, sentiments and dispositions. But sociologists use this term in a more precise sense to mean "the generalized end which has the connotations of rightness,

goodness or inherent desirability".

These ends are regarded legitimate and binding by society. They define what is important worthwhile and worth striving for. Sometimes, values have been interpreted to mean "such standards by means of which the

ends of action are selected". Thus, values are collective conceptions of what is considered good, desirable, and proper or bad, undesirable, and improper in a culture.

# The Importance of Values

Values are part of the makeup of a person. They remind us as to what is important in our lives, such as success or family, but also, by the virtue of their presence, they provide contrast to what is not important. For example, if family is important, then potentially, achievement in a high-powered job is not important. Since you value family, it would be hard to value a high-powered job that might take you away from your family. Thus, all values exist in a balance within us.

That is not to say that, over time, values cannot change. As we grow and change as individuals, we will begin to value different aspects of life. If we value family when we are younger, as our children get older, we might start to value success in business more than family so we can pay for things like college, cars, etc.

Regardless of what we value or why, the importance of values cannot be ignored. They are the guideposts of our lives, and they direct us to who we want to be. By doing that, they help us become who we are, and are a huge part of our makeup, ethical compass, and, ultimately, personality.

# Types of values

we can speak of universal values, because ever since human beings have lived in community, they have had to establish principles to guide their behavior towards others.

In this sense, honesty, responsibility, truth, solidarity, cooperation, tolerance, respect and peace, among others, are considered universal values.

However, in order to understand them better, it is useful to classify values according to the following criteria:

#### Personal values:

These are considered essential principles on which we build our life and guide us to relate with other people. They are usually a blend of family values and social-cultural values, together with our own individual ones, according to our experiences.

# • Family values:

These are valued in a family and are considered either good or bad. These derive from the fundamental beliefs of the parents, who use them to educate their children. They are the basic principles and guidelines of our initial behavior in society, and are conveyed through our behaviors in the family, from the simplest to the most complex.

#### Social-cultural values:

These are the prevailing values of our society, which change with time, and either coincide or not with our

family or personal values. They constitute a complex mix of different values, and at times they contradict one another, or pose a dilemma.

For example, if work isn't valued socially as a means of personal fulfillment, then the society is indirectly fostering "anti-values" like dishonesty, irresponsibility, or crime.

Another example of the dilemmas that social-cultural values may pose is when they promote the idea that "the end justifies the means". With this as a pretext, terrorists and arbitrary rulers justify violence, intolerance, and lies while claiming that their true goal is peace.

#### Material values:

These values allow us to survive, and are related to our basic needs as human beings, such as food and clothing and protection from the environment. They are fundamental needs, part of the complex web that is created between personal, family and social-cultural values. If exaggerated, material values can be in contradictionwith spiritual values.

# • Spiritual values:

They refer to the importance we give to non-material aspects in our lives. They are part of our human needs and allow us to feel contended. They add meaning and foundation to our life, as do religious beliefs.

#### Moral values:

Moral values refer to a set of principles that guide an individual on how to evaluate right versus wrong. People generally apply moral values to justify decisions, intentions and actions, and it also defines the personal character of a person. An individual with high moral values typically displays characteristics of integrity, courage, respect, fairness, honesty and compassion.

#### Attributes of Values:

- Content Attribute that the mode of conduct or end-state is important
- Intensity Attribute just how important that content is.

## **Value Systems**

The value-related features that characterize particular people, groups and societies are not the individual value judgments that they hold but rather their value systems. A value system may be defined as an abstract collection of value judgments held by a person or a group regarding the various values involved in a

phenomenon. Within a value system, value judgments do not exist independently of each other; they are interrelated through interactions and conflicts.

# Two main problems appear in the formulation of value systems:

How to compromise different value judgments, and How to aggregate them. Regarding the former, the value system must contain additional rules that prioritize value judgments and dictate when and how precedence may take place. In the case of conflicting judgments, the value system must contain ways of resolving this conflict. Because these will involve a preference between various goodness, such rules are in the nature of ethical dictates. They express what ought to be done in particular situations. Therefore, the study of value systems is essentially an ethical problem rather than an axiological one.

Regarding the problem of aggregation, it is helpful to find a value to which different values may be converted thus reducing to value analysis to a common basis. Cost is one example of such a value. In case such a common value cannot be formulated, various value judgments may be aggregated by weighting them and forming a composite. For example, discusses the aggregation of benefit and harm: "Value judgments are involved here as to what counts as benefit and harm, and as to what weight should be given to each".

Value systems are more variable in time and between groups and societies than are value judgments. It is not difficult to imagine, simply by looking at the types of building different values, that architects will tend to give preference to some values over others as different from what a builder, contractor or local administrator might do.

# **Importance of Values**

- Provide understanding of the attitudes, motivation, and behaviors
- Influence our perception of the world around us
- Represent interpretations of "right" and "wrong"
- Imply that some behaviors or outcomes are preferred over others

## Types of formation of values as per Rokeach Value Survey

# Classifying Values - Rokeach Value Survey

The **Rokeach Value Survey** (**RVS**) is a values classification instrument. Developed by social psychologist Milton Rokeach, the instrument is designed for rank-order scaling of 36 values, including 18 terminal 18 instrumental values. The task for participants in the survey is to arrange the 18 terminal values, followed by the 18 instrumental values.

#### Terminal vs. instrumental values

Terminal values stand in contrast to instrumental values (also known as extrinsic values), which are means-to-an-end, mere tools in achieving terminal values. For example, if a given university student studies merely for a professional qualification; his terminal value is getting a job, while getting good grades is an instrument to that end.

Some values may be called "terminal" merely in relation to an instrumental goal, yet themselves serve instrumentally towards a higher goal. However, in considering future artificial general intelligence, the phrase "terminal value" is generally used only for the top level of the goal hierarchy of the annual goal index (AGI) itself: the true ultimate goals of the system; but excluding goals inside the AGI in service of other goals, and excluding the purpose of the AGI's makers, the goal for which they built the system.

#### Human terminal values

It is not known whether humans have terminal values that are clearly distinct from another set of instrumental values. Humans appear to adopt different values at different points in life. However, if the theory of terminal values applies to humans', then their system of terminal values is quite complex. The values were forged by evolution in the family environment to maximize inclusive genetic fitness. These values include survival, health, friendship, social status, love, joy, artistic pleasure, curiosity, and much more. Evolution's implicit goal is inclusive genetic fitness, but humans do not have inclusive genetic fitness as a goal. Rather, these values, which were instrumental to inclusive genetic fitness, have become humans' terminal values. Humans cannot fully introspect their terminal values. Humans' terminal values are often mutually contradictory, inconsistent, and changeable.

#### **Instrumental Values**

#### Direct and indirect

An instrumental value may be directly valuable or more or less indirectly so. For instance, in the perspective of a hedonist with pleasure as end-in-itself, then music may be regarded as something directly instrumentally valuable by directly generating pleasure. A guitar, on the other hand, may be regarded as something indirectly instrumentally valuable, since it generates end-in-itself by generating music which, in turn, generates the end-in-itself – pleasure in this case.

#### Grades

Generally, regardless of what is regarded as having intrinsic value, the instrumental values may be regarded as having different grades of instrumental value, where the first grade instrumental value is the direct instrumental value, the second grade instrumental value is the degree something generates this, etc. until the infinite grade instrumental value.

The universe may be regarded as chains of events of objects, possibly ultimately generating the end-in-itself. More than one thing may generate something of the next grade value — both a guitar and a piano may generate music. Besides, a thing may generate several other things in the chain-reaction — money, for instance, may result in generation of both guitars and pianos. Thus, the causality may be regarded as a fabric of events, with many chains of events intertwined, sometimes splitting and sometimes joining.

It may sometimes be regarded as more or less self-generating, when an object with instrumental value generates itself somewhere later in the chain of events.

# High and low grades

What is exactly of a certain grade of instrumental value, however, is a question of definition, since music, for instance, may be regarded as something generating vibrations in the eardrum, which, in turn, generates the proper pattern of signals through the cochlear nerve from the ear. Therefore, grades of instrumental value may, for ease, be separated only into low grade instrumental value and high grade instrumental value. They are distinguished by the relative length of their chain of events. This is contrasted to short-term instrumental value and long-term instrumental value, although there is a correlation between them; it generally takes longer time for high grade instrumental values to finish their chain of events towards their intrinsic value(s) and vice versa for low grade instrumental values.

#### Inherent value

Inherent value is the first grade instrumental value when a personal experience is of intrinsic value. An object with inherent value may be termed an inherent good.

Some philosophers who think goods have to create desirable mental states also say that goods are experiences of self-aware beings. These philosophers often distinguish the desirable experience, which they call an intrinsic good, from the things in the world that seem to cause the experience, which they call inherent goods.

### All-grades value

An object can be of more than one grade of generating its end-in-itself, i.e. being involved in several locations among each chain of events leading to its end-in-itself. The sum of all those contributions may be regarded as the all-grades instrumental value of that object.

## All-parallels value

In the fabric of events, one single object may appear at the same grade in several chains of events. In the simplest example, with two chains of events resulting in the end-in-itself, a single object may appear as having first grade instrumental value in both of these chains. They may be called being parallel to each other. The sum of these parallel values may be termed the all-parallels instrumental value of that object.

# > People in same occupations or categories tend to hold similar values

- values vary between groups
- Value differences make it difficult for groups to negotiate and may create conflict

#### **Values**

- Values differ across cultures.
- Hofstede's Framework for assessing culture five value dimensions:
  - Power Distance
  - Individualism vs. Collectivism
  - Masculinity vs. Femininity
  - Uncertainty Avoidance
  - Long-term vs. Short-term Orientation

#### **Power Distance**

#### Low distance

 It shows relatively equal power between those with status/wealth and those without status/wealth

# High distance

• It shows Extremely unequal power distribution between those with status/wealth and those without status/wealth

#### Individualism

#### Versus

#### > Individualism

The degree to which people prefer to act as individuals rather than a member of groups

#### Collectivism

 It is a tight social framework in which people expect others in groups of which they are a part to look after them and protect them

# **Uncertainty Avoidance**

It is the extent to which a society feels threatened by uncertain and ambiguous situations and tries to avoid them.

## **High Uncertainty Avoidance:**

It shows that society does not like ambiguous situations and tries to avoid them.

# **Low Uncertainty Avoidance:**

It shows that society does not mind ambiguous situations and embraces them.

### **Time Orientation**

# > Long-term Orientation

It is a national culture attribute that emphasizes the future, thrift, and persistence

#### > Short-term Orientation

It is a national culture attribute that emphasizes the present and the here and now

#### An Assessment

- > There are regional differences within countries
- The original data is old and based on only one company
- Hofstede had to make many judgment calls while doing the research.
- Some results don't match what is believed to be true about given countries
- > Despite these problems it remains a very popular framework

In short values often explain attitudes, behaviors, and perceptions. Higher with performance and satisfaction is achieved when the individual's values match those of the organization.

#### Values and behavior

The natural way to pursue important values is to behave in ways that express them or promote their attainment. People pursue security values by acting in ways that promote their personal safety, and they pursue high-living values by engaging in pleasurable activities. Most behaviors can express more than one value.

For example, people might go rock climbing because they like adventure (stimulation values), love nature (universalism values), or want to comply with their friends' expectations (conformity values). Like rock climbing, many behaviors are ambiguous with regard to the values they express. Still, some behaviors express primarily one value. Dominating behavior, for example, primarily expresses power values.

Why do people behave according to their values? One possible reason is a need for consistency between one's beliefs (values) and actions. Another is that value-consistent action is rewarding; it helps people get what they want. Studies that report relations of values to behavioral intentions in hypothetical situations demonstrate that people want to act according to their values. However, these are only hypothetical behaviors. In real life situations, values are but one of many factors that may influence behavior. Therefore, estimating the strength of relations between values and behavior requires measuring actual behavior.

Values can relate to choice behavior in real-life situations. For example, values predicted choosing a university course and voting for political parties.

These are examples of behaviors that people choose carefully, after weighing the pros and cons of alternatives. In such choice situations, values are likely to come to mind and influence decisions. But most behavior is more spontaneous. We rarely think about our value priorities before interrupting a conversation partner (power values) or indulging in a tempting dessert (hedonism values). If behavior relates to values only

when there is conscious, careful choice, effects of values on behavior are limited to a small subset of situations. According to writer McClelland values are likely to influence behavior only when behavior stems from conscious decisions.

Values may, however, influence behavior through mechanisms, such as habits, that do not require conscious decisions. In fact, there are some evidences that values relate to common, ongoing behavior. For example,

### Outdated Values – many of us have values that are left over from our youth that still dictate our behaviors.

- Often people will find that they no longer wish to be dictated by that outdated value.
- It is not to say that that value is not important, instead the value does not need to affect a person in all aspects of their life. (Ex. You could still value independence without it influencing the majority of your interactions with people)
- Example: teenagers commonly desire to be viewed as independent... once an adult actually is independent this value can be disruptive in that it can encourage a person to be stubborn and unaccepting of assistance.
- Example 2: a person who grew up with abusive parents might value control and safety, this value might encourage them to be hyper attentive and overly precautious even when their adult life is relatively secure, structured and safe... altering this value could have a positive effect on anxiety.

# <u>Unwanted values – many of us carry values that were forced on us or that we were manipulated into carrying.</u>

- Some of us carry values that we believe 'we have to' have that could have been suggested be the community, a religion, our family, our schooling, or the media etc.
- You have the freedom to choose your own values and often dropping unwanted values will relieve inner moral conflict.
- Example: the media manipulates people into carrying values pertaining to body image, as such many people find themselves desiring a body that is unhealthy... they value 'skinny' and they believe that being so will make them feel 'beautiful'.
- Example 2: politicians commonly manipulate values pertaining to patriotism (on both sides); they
  define what behaviors make you a patriot and then manipulate you into wanting to engage in those
  behaviors.

# <u>Undesired behaviors aimed at achieving desired values – Many of us have a value that could be better met</u> with a different behavior that might have fewer negative consequences.

- Once you have isolated your values you can investigate how successfully your chosen behaviors are at assisting you in realizing, or living within, that value.
- Sometimes you intend for a behavior to encourage a relevant emotion and it does not do so. (For Example you watch TV at night to feel rested but it ends up making you feel more anxious.)

- Sometimes you intend for a behavior to display an attribute and it actually displays the opposite attribute. (For Example. you try to be a leader of peace and you end up bringing more destruction.)
- **Example:** some people go home, pour a cocktail and turn on the TV to meet the 'less stressed' value... it is possible that this behavior does not reduce stress in the long run... this behavior could even be causing some of the stress.

# **Summary:**

In this session students must have understood that Values are part of the makeup of a person. They remind us as to what is important in our lives, such as success or family, but also, by the virtue of their presence, they provide contrast to what is not important.

Moreover students must now be clear about the value-related features that characterize particular people, groups and societies. Students must have understood that the natural way to pursue important values is to behave in ways that express them or promote their attainment. Many behaviors are ambiguous with regard to the values they express. Still, some behaviors express primarily one value.

Students must have also learnt about Classification of Values – Rokeach Value Survey which is developed by social psychologist Milton Rokeach, the instrument is designed for rank-order scaling of 36 values, including 18 terminal 18 instrumental values. The task for participants in the survey is to arrange the 18 terminal values, followed by the 18 instrumental values.

Moreover students by now must be clear that terminal values stand in contrast to instrumental values (also known as extrinsic values), which are means-to-an-end, mere tools in achieving terminal values.