

Business Ethics

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Abstract: *Business ethics is the moral principles, policies, and values that govern the way companies and individuals engage in business activity. It goes beyond legal requirements to establish a code of conduct that drives employee behavior at all levels and helps build trust between a business and its customers*

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I. INTRODUCTION

What Is Business Ethics?

Business ethics is the moral principles, policies, and values that govern the way companies and individuals engage in business activity. It goes beyond legal requirements to establish a code of conduct that drives employee behavior at all levels and helps build trust between a business and its customers.

- Business ethics refers to implementing appropriate business policies and practices with regard to arguably controversial subjects.
- Some issues that come up in a discussion of ethics include corporate governance, insider trading, bribery, discrimination, social responsibility, and fiduciary responsibilities.
- The law usually sets the tone for business ethics, providing a basic guideline that businesses can choose to follow to gain public approval.

Understanding Business Ethics:-

Business ethics ensure that a certain basic level of trust exists between consumers and various forms of market participants with businesses. For example, a portfolio manager must give the same consideration to the portfolios of family members and small individual investors as they do to wealthier clients. These kinds of practices ensure the public receives fair treatment.

The concept of business ethics began in the 1960s as corporations became more aware of a rising consumer-based society that showed concerns regarding the environment, social causes, and corporate responsibility. The increased focus on "social issues" was a hallmark of the decade.

Since that time, the concept of business ethics has evolved. Business ethics goes beyond just a moral code of right and wrong; it attempts to reconcile what companies must do legally vs. maintaining a competitive advantage over other businesses. Firms display business ethics in several ways.

Principles of Business Ethics:-

It's essential to understand the underlying principles that drive desired ethical behavior and how a lack of these moral principles contributes to the downfall of many otherwise intelligent, talented people and the businesses they represent.

There are generally 12 business ethics principles:

- **Leadership:** The conscious effort to adopt, integrate, and emulate the other 11 principles to guide decisions and behavior in all aspects of professional and personal life.
- **Accountability:** Holding yourself and others responsible for their actions. Commitment to following ethical practices and ensuring others follow ethics guidelines.
- **Integrity:** Incorporates other principles—honesty, trustworthiness, and reliability. Someone with integrity consistently does the right thing and strives to hold themselves to a higher standard.
- **Respect for others:** To foster ethical behavior and environments in the workplace, respecting others is a critical component. Everyone deserves dignity, privacy, equality, opportunity, compassion, and empathy.

- Honesty: Truth in all matters is key to fostering an ethical climate. Partial truths, omissions, and under or overstating don't help a business improve its performance. Bad news should be communicated and received in the same manner as good news so that solutions can be developed.
- Respect for laws: Ethical leadership should include enforcing all local, state, and federal laws. If there is a legal grey area, leaders should err on the side of legality rather than exploiting a gap.
- Responsibility: Promote ownership within an organization, allow employees to be responsible for their work, and be accountable for yours.
- Transparency: Stakeholders are people with an interest in a business, such as shareholders, employees, the community a firm operates in, and the family members of the employees. Without divulging trade secrets, companies should ensure information about their financials, price changes, hiring and firing practices, wages and salaries, and promotions are available to those interested in the business's success.
- Compassion: Employees, the community surrounding a business, business partners, and customers should all be treated with concern for their well-being.
- Fairness: Everyone should have the same opportunities and be treated the same. If a practice or behavior would make you feel uncomfortable or place personal or corporate benefit in front of equality, common courtesy, and respect, it is likely not fair.
- Loyalty: Leadership should demonstrate confidentiality and commitment to their employees and the company. Inspiring loyalty in employees and management ensures that they are committed to best practices.
- Environmental concern: In a world where resources are limited, ecosystems have been damaged by past practices, and the climate is changing, it is of utmost importance to be aware of and concerned about the environmental impacts a business has. All employees should be encouraged to discover and report solutions for practices that can add to damages already done.

Why Is Business Ethics Important?

There are several reasons business ethics are essential for success in modern business. Most importantly, defined ethics programs establish a code of conduct that drives employee behavior—from executives to middle management to the newest and youngest employees. When all employees make ethical decisions, the company establishes a reputation for ethical behavior. Its reputation grows, and it begins to experience the benefits a moral establishment reaps:

- Brand recognition and growth
- Increased ability to negotiate
- Increased trust in products and services
- Customer retention and growth
- Attracts talent

Attracts investors

When combined, all these factors affect a business' revenues. Those that fail set ethical standards and enforce them are doomed to eventually find themselves alongside Enron, Arthur Andersen, Wells Fargo, Lehman Brothers, Bernie Madoff, and many others.

Types of Business Ethics

There are several theories regarding business ethics, and many different types can be found, but what makes a business stand out are its corporate social responsibility practices, transparency and trustworthiness, fairness, and technological practices.

Corporate Social Responsibility

Corporate social responsibility (CSR) is the concept of meeting the needs of stakeholders while accounting for the impact meeting those needs has on employees, the environment, society, and the community in which the business operates. Of course, finances and profits are important, but they should be secondary to the welfare of society,

customers, and employees—because studies have concluded that corporate governance and ethical practices increase financial performance.

Transparency and Trustworthiness

It's essential for companies to ensure they are reporting their financial performance in a way that is transparent. This not only applies to required financial reports but all reports in general. For example, many corporations publish annual reports to their shareholders.

Most of these reports outline not only the submitted reports to regulators, but how and why decisions were made, if goals were met, and factors that influenced performance. CEOs write summaries of the company's annual performance and give their outlooks.

Press releases are another way companies can be transparent. Events important to investors and customers should be published, regardless of whether it is good or bad news.

Technological Practices and Ethics

The growing use of technology of all forms in business operations inherently comes with a need for a business to ensure the technology and information it gathers is being used ethically. Additionally, it should ensure that the technology is secured to the utmost of its ability, especially as many businesses store customer information and collect data that those with nefarious intentions can use.

Fairness

A workplace should be inclusive, diverse, and fair for all employees regardless of race, religion, beliefs, age, or identity. A fair work environment is where everyone can grow, be promoted, and become successful in their own way.

How to Implement Good Business Ethics

Fostering an environment of ethical behavior and decision-making takes time and effort—it always starts at the top. Most companies need to create a code of conduct/ethics, guiding principles, reporting procedures, and training programs to enforce ethical behavior.

Once conduct is defined and programs implemented, continuous communication with employees becomes vital. Leaders should constantly encourage employees to report concern behavior—additionally, there should be assurances that if whistle-blowers will not face adversarial actions.

Monitoring and Reporting Unethical Behavior

When preventing unethical behavior and repairing its adverse side effects, companies often look to managers and employees to report any incidences they observe or experience. However, barriers within the company culture (such as fear of retaliation for reporting misconduct) can prevent this from happening.

Published by the Ethics & Compliance Initiative (ECI), the Global Business Ethics Survey of 2021 surveyed over 14,000 employees in 10 countries about different types of misconduct they observed in the workplace. 49% of the employees surveyed said they had observed misconduct and 22% said they had observed behavior they would categorize as abusive. 86% of employees said they reported the misconduct they observed. When questioned if they had experienced retaliation for reporting, 79% said they had been retaliated against.

Indeed, fear of retaliation is one of the primary reasons employees cite for not reporting unethical behavior in the workplace. ECI says companies should work toward improving their corporate culture by reinforcing the idea that reporting suspected misconduct is beneficial to the company. Additionally, they should acknowledge and reward the employee's courage in making the report.

Examples of business ethics in the workplace:

The primary means by which an organization communicates its ethical principles is through a “code of conduct” document, which establishes the ethical standards of the company and its employees.

You're likely to be given a copy of this document upon employment and can review it when determining the best way to maintain business ethics in your workplace and specifically, in your work. There are many examples of ways you can have an ethical work environment, including:

Report conflicts of interest

Many organizations have a policy regarding receiving gifts from clients or other external parties. Some may even have rules about part-time work, freelance opportunities and other side jobs. In all cases, these rules are meant to ensure employees operate within the limitations of conflicts of interest, which can impact an employee's integrity.

Take care of company property

You're likely to use tools, technology, equipment and supplies provided by your employer. These items are typically reserved for work use only. Follow any business ethics related to the use and maintenance of these items to ensure you are using company property respectfully.

Lawfulness

Business ethics also includes abiding by legal regulations and obligations regarding their business activities like taxes, worker safety and employment and labor laws. Companies that work within the boundaries of the legal system are more credible and honorable, which can establish a strong positive reputation as an employer that encourages high-quality candidates to apply for roles.

Use discretion with sensitive information

Some workplaces and roles may interact with sensitive data or materials, which requires employees to practice discretion through careful organization, the use of passwords and other security measures. Consult your code of conduct to understand the stipulations of discussing and handling sensitive information in the workplace.

Practice integrity

Hold your work to a high standard of fairness, honesty and quality. You should be transparent about how well you're doing and areas you may be able to improve. Own up to your mistakes, and work to correct them as soon as possible. Keep your team and supervisors informed of mistakes and progress to ensure everyone is updated.

Keep a high attendance

Your workplace may have an attendance and tardiness policy to hold employees accountable for going to work and being on time. Showing up for work when you are expected demonstrates respect for your colleagues as well as your employer.

You may request time off per your company's policy. If you're unexpectedly prevented from being at work by illness, accident, or some other cause, let your manager or supervisor know as soon as possible. Your manager or supervisor can then make sure your work is handled by someone else in your absence. If you'll be late, give your manager advance notice, if possible.

Challenges

Educating employees on their ethical code of conduct is a huge challenge. Unlike personal ethics, corporate rules and regulations are complex. Non-compliance may not affect an employee much, but the firm could suffer huge losses. In large firms, it is a tedious task; there is less direct communication. Emails do not succeed in conveying the intended message accurately. If the corporate ideology is not well-communicated to the workers, there are chances of non-compliance. One simple mistake by one employee could tarnish the brand image of a huge entity.

Moral compliance, bribes, sexual harassment, and a toxic atmosphere are the common challenges faced by firms. But, there is the other extreme too. Stringent rules drafted in the name of ethics interfere with the growth and profitability of businesses. On top of all the philanthropy and welfare, firms need to turn a profit. Without profits, businesses can't pay their employees.

Influential factors on business ethics

Many aspects of the work environment influence an individual's decision-making regarding ethics in the business world. When an individual is on the path of growing a company, many outside influences can pressure them to perform a certain way. The core of the person's performance in the workplace is rooted in their personal code of behavior. A person's personal code of ethics encompasses many different qualities such as integrity, honesty, communication, respect, compassion, and common goals. In addition, the ethical standards set forth by a person's superior(s) often translate into their own code of ethics. The company's policy is the 'umbrella' of ethics that play a major role in the personal development and decision-making processes that people make with respect to ethical behavior.

The ethics of a company and its individuals are heavily influenced by the state of their country. If a country is heavily plagued with poverty, large corporations continuously grow, but smaller companies begin to wither and are then forced to adapt and scavenge for any method of survival. As a result, the leadership of the company is often tempted to participate in unethical methods to obtain new business opportunities. Additionally, Social Media is arguably the most influential factor in ethics. The immediate access to so much information and the opinions of millions highly influence people's behaviors. The desire to conform with what is portrayed as the norm often manipulates our idea of what is morally and ethically sound. Popular trends on social media and the instant gratification that is received from participating in such quickly distort people's ideas and decisions.

Law and regulation

Laws are the written statutes, codes, and opinions of government organizations by which citizens, businesses, and persons present within a jurisdiction are expected to govern themselves or face legal sanction. Sanctions for violating the law can include (a) civil penalties, such as fines, pecuniary damages, and loss of licenses, property, rights, or privileges; (b) criminal penalties, such as fines, probation, imprisonment, or a combination thereof; or (c) both civil and criminal penalties.

Very often it is held that business is not bound by any ethics other than abiding by the law. Milton Friedman is the pioneer of the view. He held that corporations have the obligation to make a profit within the framework of the legal system, nothing more. Friedman made it explicit that the duty of the business leaders is, "to make as much money as possible while conforming to the basic rules of the society, both those embodied in the law and those embodied in ethical custom". Ethics for Friedman is nothing more than abiding by customs and laws. The reduction of ethics to abidance to laws and customs, however, have drawn serious criticisms.

Counter to Friedman's logic it is observed that legal procedures are technocratic, bureaucratic, rigid and obligatory whereas ethical act is conscientious, voluntary choice beyond normativity. Law is retroactive. Crime precedes law. Law against crime, to be passed, the crime must have happened. Laws are blind to the crimes undefined in it. Further, as per law, "conduct is not criminal unless forbidden by law which gives advance warning that such conduct is criminal". Also, the law presumes the accused is innocent until proven guilty and that the state must establish the guilt of the accused beyond reasonable doubt. As per liberal laws followed in most of the democracies, until the government prosecutor proves the firm guilty with the limited resources available to her, the accused is considered to be innocent. Though the liberal premises of law is necessary to protect individuals from being persecuted by Government, it is not a sufficient mechanism to make firms morally accountable.

Academic discipline

As an academic discipline, business ethics emerged in the 1970s. Since no academic business ethics journals or conferences existed, researchers published in general management journals and attended general conferences. Over time, specialized peer-reviewed journals appeared, and more researchers entered the field. Corporate scandals in the earlier 2000s increased the field's popularity. As of 2009, sixteen academic journals devoted to various business ethics issues existed, with Journal of Business Ethics and Business Ethics Quarterly considered the leaders. Journal of Business Ethics Education publishes articles specifically about education in business ethics.

The International Business Development Institute is a global non-profit organization that represents 217 nations and all 50 United States. It offers a Charter in Business Development that focuses on ethical business practices and standards. The Charter is directed by Harvard, MIT, and Fulbright Scholars, and it includes graduate-level coursework in

economics, politics, marketing, management, technology, and legal aspects of business development as it pertains to business ethics. IBDI also oversees the International Business Development Institute of Asia which provides individuals living in 20 Asian nations the opportunity to earn the Charter.

Related disciplines

Business ethics is related to philosophy of economics, the branch of philosophy that deals with the philosophical, political, and ethical underpinnings of business and economics. Business ethics operates on the premise, for example, that the ethical operation of a private business is possible—those who dispute that premise, such as libertarian socialists (who contend that "business ethics" is an oxymoron) do so by definition outside of the domain of business ethics proper.

The philosophy of economics also deals with questions such as what, if any, are the social responsibilities of a business; business management theory; theories of individualism vs. collectivism; free will among participants in the marketplace; the role of self interest; invisible hand theories; the requirements of social justice; and natural rights, especially property rights, in relation to the business enterprise.

Business ethics is also related to political economy, which is economic analysis from political and historical perspectives. Political economy deals with the distributive consequences of economic actions.

Issues

Ethical issues often arise in business settings, whether through business transactions or forming new business relationships. It also has a huge focus in the auditing field whereby the type of verification can be directly dictated by ethical theory. An ethical issue in a business atmosphere may refer to any situation that requires business associates as individuals, or as a group (for example, a department or firm) to evaluate the morality of specific actions, and subsequently, make a decision amongst the choices. Some ethical issues of particular concern in today's evolving business market include such topics as: honesty, integrity, professional behaviors, environmental issues, harassment, and fraud to name a few. From a 2009 National Business Ethics survey, it was found that types of employee-observed ethical misconduct included abusive behavior (at a rate of 22 percent), discrimination (at a rate of 14 percent), improper hiring practices (at a rate of 10 percent), and company resource abuse (at a rate of percent).

The ethical issues associated with honesty are widespread and vary greatly in business, from the misuse of company time or resources to lying with malicious intent, engaging in bribery, or creating conflicts of interest within an organization. Honesty encompasses wholly the truthful speech and actions of an individual. Some cultures and belief systems even consider honesty to be an essential pillar of life, such as Confucianism and Buddhism (referred to as *sacca*, part of the Four Noble Truths). Many employees lie in order to reach goals, avoid assignments or negative issues; however, sacrificing honesty in order to gain status or reap rewards poses potential problems for the overall ethical culture organization, and jeopardizes organizational goals in the long run. Using company time or resources for personal use is also, commonly viewed as unethical because it boils down to stealing from the company. The misuse of resources costs companies billions of dollars each year, averaging about 4.25 hours per week of stolen time alone, and employees' abuse of Internet services is another main concern. Bribery, on the other hand, is not only considered unethical in business practices, but it is also illegal.

In accordance with this, the Foreign Corrupt Practices Act was established in 1977 to deter international businesses from giving or receiving unwarranted payments and gifts that were intended to influence the decisions of executives and political officials. Although, small payments known as facilitation payments will not be considered unlawful under the Foreign Corrupt Practices Act if they are used towards regular public governance activities, such as permits or licenses.

Benefits of Ethics in Business

The benefits of business ethics include:

- Ethics in business provide competitive advantages for companies, as customers and investors would rather associate with businesses that are transparent.
- Being compliant with set business ethics improves a business's image, making it more attractive to talent, customers, and investors.

- Ethics in business help create a motivating work environment where employees love to be since their morals are aligned with the company's morals.
- Though complying with ethical practices is mostly voluntary, some ethical business practices are mandatory, such as obeying the rule of law. Early compliance saves businesses from future legal action, such as large fines or business failure resulting from non-compliance with rules and regulations.

Drawbacks of Ethics in Business”-

The drawbacks of business ethics include:

- Developing, implementing, adjusting, and maintaining ethics in business takes time, especially when a business is just recovering from a reputation scandal due to poor ethics. Ethics also need to be regularly updated by businesses due to changes in business laws and regulations.
- The possible trade-off between ethics and profit is another issue. Ethics in business can affect a business's ability to fully maximise profit-making opportunities. For example, an ethical business with a production factory in a developing country would not try to cut down on labour costs by unethical means. Such means could include increasing profits by paying low wages or making employees work overtime without compensation. Instead, an ethical business would make sure to create a nurturing work environment even if this leads to lower profits.
- In conclusion, ethics in business requires businesses to act in a way that stakeholders consider fair and honest. These ethics also guide owners, managers, and employees in making morally satisfying decisions and building trust with customers.

Fundamentals of Business Ethics

Business ethics refers to a set of moral rules that influence how a company provides for its clients and treats its staff, and they are frequently based on the employee's or manager's moral convictions. Every industry and each corporation has its own set of ethical standards that influence its internal systems and processes.

1. Being Transparent

Transparency means correctly portraying facts, telling the whole truth, and talking honestly and freely about all a business is doing and says. It is the cornerstone of a solid customer connection, which has a direct impact on a company's success and stability. The public is more likely to believe a company's services, product, or mission if it is open and honest. This is especially important during public relations crises when complete transparency is critical to resolving corporate problems.

2. Bringing Integrity

Honour and courage are demonstrated by sticking to one's decision, even when persuaded to do differently. Companies that display strength and excellent character by doing what they believe is morally correct based on equality and justice.

3. Trustworthiness

Companies that maintain their pledges and follow through on their commitments to their employees, business partners, and consumers demonstrate their dedication to business ethics. Because people want to deal with and buy from individuals they believe are reliable and principled, trustworthiness is a critical component of commercial success.

4. Entail Loyalty

Loyalty comprises all of a company's relationships, including those with its employees, partners, investors, and clients. Loyalty assists a company in making decisions that enhance these ties while avoiding outside differing ideologies. This demonstrates that the corporation prioritizes the progress of the company and its employees over the personal advantage of an owner.

5. Practice Fairness

Companies should make an effort to act fairly and commit to exerting power in a just manner. To get an advantage over the competition, leaders should only utilize honourable tactics. Fairness is also linked to equality, which entails keeping an open mind and treating everyone equally. Fairness and equality can be used in employment processes, marketing campaigns, business alliances, and competing for new customers or clients in the market.

6. Show Compassion

Ethical businesses show genuine compassion, understanding, and concern for others' well-being. In business, this involves achieving corporate objectives in the most beneficial way possible while creating the least amount of harm. Depending on the industry, careful examination of the possibilities and how each one may influence a person or community can help limit the potential negative consequences of a business decision.

7. Respect begets Respect

An essential corporate ethical requirement is to show basic respect for people's rights, privacy, and dignity, both inside and outside the organization. Companies that treat all people with respect, regardless of their religion, sex, colour, nationality, or any other identifier, are frequently praised in the media. Companies are committed to the ethical requirement of keeping information such as financial account details, public health, and social security numbers secret, so Respect also extends to client or customer privacy.

8. Reputation Upholding

To create a motivating work culture, keep investors interested, and deliver excellent service to consumers, and the ethical company works to maintain and safeguard a favourable reputation. Maintaining a positive reputation entails acting in a way that benefits the firm. If a company's reputation is harmed, leaders must manage the problem responsibly, applying other ethical criteria such as transparency, accountability, and responsibility.

9. Providing Excellence

The ethical organization aim for greatness by ensuring that their clients and customers receive the highest possible quality of service or product. They attempt to increase company performance, customer happiness, and staff morale by pursuing creativity and innovation in order to find the best ways to provide their goods.

10. Responsibility

Companies with strong ethical standards are aware of their obligations to their employees and customers, as well as how their leadership affects the bottom line. Companies must lead with the organization's goals and purpose in order to make rational decisions that benefit everyone.

Elements of Business Ethics

Top Management Commitment: The top management of an organization plays a crucial role in ensuring business ethics. They guide the whole organization towards ethical behaviour. To get better results and inculcate ethical behaviour amongst the members of an organization, the CEO and other top-level managers need to strongly commit themselves to ethical conduct. Their commitment to the ethical code of conduct will set a good example for the employees and encourage them to follow the codes themselves. They must lead the employees to continue to develop the firm and uphold its values.

Publication of a 'Code': Companies having effective ethics programmes define the principles of conduct in written form for the whole organization. This written document of principles of conduct is known as "code." The code or code of conduct covers various areas, like product quality, product safety, fundamental honesty, adherence to laws, financial reporting, marketing practices, employment practices, health and safety at the workplace, etc. These principles or standards guide an organization and its actions.

Establishment of Compliance Mechanisms: Publishing the code of conduct is not sufficient until the organization establishes a mechanism to ensure they are being followed by the employees and the actions of the firm comply with these standards. For example, ensuring the applicant has values and ethics while recruiting, forming a communication system for employees to report any incident of unethical behavior, etc.

Involving employees at all levels: Employees of an organization play a crucial role in the implementation of ethical policies at different levels of the business, making the idea of ethical business real. Therefore, organizations need to involve employees in ethics programmes. For example, an organization can form a small group of employees to discuss the essential ethics policies of the firm and evaluate the employees' attitudes towards these policies.

Measuring results: It is not easy to measure the results of an ethics programme with full accuracy. Therefore, the organizations implementing ethics programmes can verify and audit the end results and ensure that the employees carry out the work according to ethical standards. Once the auditing has been completed, the top-level management and other employees of the firm can discuss the end results for their further course of action.

II. CONCLUSION

In conclusion, ethical conduct is critical to the success of any business. By implementing ethical standards, companies can enjoy greater customer loyalty, employee retention, and stakeholder support. However, as demonstrated by the examples of ethical failures, ethical behaviour is not always easy to maintain. The tips outlined in this article provide a starting point for businesses to develop and implement ethical conduct standards and serve as a warning of the potential consequences of ethical failures. By doing so, businesses can avoid reputational damage, legal issues, and financial losses associated with ethical failures. By creating a culture of ethical behaviour, businesses can build trust with their stakeholders and create long-term success.

While the steps to implement ethical standards may seem daunting, it's important to remember that ethical behaviour starts at the top. Business leaders must set the tone for ethical behaviour and hold themselves and their employees accountable for adhering to ethical standards. By prioritising ethics, businesses can build a strong foundation for success and make a positive impact on society as a whole.