

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 - 3)

FAQs

Q1. What are ethical objectives?

If the company does adopt an ethical approach, it may have a number of **benefits** including:

- **Improved motivation among employees** - Feel good factor - many employees will be more committed if they can see an ethical approach adopted by the company
- **Reduced labor turnover** - Improved motivation is also likely to result in improvements in the recruitment and retention of staff ,who will be more loyal to an ethical company
- **Improved customer perception** - Consumers will often react positively to a more ethical approach and this may be used (as it is by many Fair-trade companies) as a unique selling point for the business. It also helps provide the brand with a more positive association, which should enhance brand values.

Q2. What are ethical objectives of investors?

A growing number of investors do not want to invest in companies which pollute or damage the environment, deal in the arms trade, or support oppressive regimes.

Many also don't want to support tobacco companies or those that profit from gambling, pornography or the production of alcohol.

As a consequence there are a growing number of companies that specialize in ethical investments. They promise to examine the ethical credentials before they invest their clients' funds. One such firm is F&C, which lays out its investment criteria in its guide to ethical investing.

However, an ethical approach to business operations may have a number of **potential problems**. These may include:

- **Higher costs** - Using ethically sourced raw materials, or producing in a way that is more ethical, is likely to raise costs. If the company is able to use the ethical considerations to develop the brand, then this may not be a problem, but if they are in a highly price competitive market then it may be more of an issue.
- **Problems with suppliers** - Suppliers may not hold the same ethical views as the firm and this may lead to possible conflicts. It may also make sourcing supplies more problematical.
- **Lower profit** - If the higher costs cannot be passed on to the consumer, then this is likely to lead to lower profitability for the firm.
- **Stakeholder conflict** - Not all stakeholders will be keen on an ethical approach if it compromises their objectives. For example, some investors may withdraw if they feel that the ethical stance of the company is affecting its long-term viability or profitability.

Q3. What are advantages of business ethics?

Business ethics offer companies a competitive advantage. Consumers learn to trust ethical brands and remain loyal to them, even during difficult periods. In 1982, Johnson & Johnson spent over \$100 million dollars recalling Tylenol, its best-selling product, after someone tampered with bottles of the painkiller. The company followed its credo, a set of ethical organizational values, and the result was a boost in consumer confidence, despite the contamination scare. Society benefits from business ethics because ethical companies recognize their social responsibilities.

Q4. What are disadvantages of business ethics?

Business ethics reduce a company's freedom to maximize its profit. For example, a multinational company may move its manufacturing facility to a developing country to reduce costs. Practices acceptable in that country, such as child labor, poor health and safety, poverty-level wages and coerced employment, will not be tolerated by an ethical company. Improvements in working conditions, such as a living wage and minimum health and safety standards reduce the level of cost-savings that the company generates. However, it could be argued that the restrictions on company freedom benefit wider society.

Q5. Explain value of ethics in business.

Ethics is based on a set of moral and ethical values. These values must be absolute - that is, you must take them seriously enough to override any human rationalization, weakness, ego, or personal faults. When all else

fails, you will always look back to these core values to guide you. Unfortunately, life is not that easy and there's always disagreement about what values should reign supreme.

Q6. Describe the benefits of management of ethics.

1. Attention to business ethics has substantially improved society
2. Ethics programs help maintain a moral course in turbulent times
3. Ethics programs cultivate strong teamwork and productivity
4. Ethics programs support employee growth and meaning

Q7. How does ethical program promote a strong public image?

- Attention to ethics is also strong public relations — admittedly, managing ethics should not be done primarily for reasons of public relations.
- But, frankly, the fact that an organization regularly gives attention to its ethics can portray a strong positive to the public.
- People see those organizations as valuing people more than profit, as striving to operate with the utmost of integrity and honor.
- Aligning behavior with values is critical to effective marketing and public relations programs. Consider how Johnson and Johnson handled the Tylenol crisis versus how Exxon handled the oil spill in Alaska. Bob Dunn, President and CEO of San Francisco-based Business for Social Responsibility, puts it best: “Ethical values, consistently applied, are the cornerstones in building a commercially successful and socially responsible business.”

Q8. How do ethics programs help manage values associated with quality management, strategic planning and diversity management?

- Ethics programs identify preferred values and ensuring organizational behaviors are aligned with those values.
- This effort includes recording the values, developing policies and procedures to align behaviors with preferred values, and then training all personnel about the policies and procedures.
- This overall effort is very useful for several other programs in the workplace that require behaviors to be aligned with values, including quality management, strategic planning and diversity management.
- Total Quality Management includes high priority on certain operating values, e.g., trust among stakeholders, performance, reliability, measurement, and feedback. Eastman and Polaroid use ethics tools in their quality programs to ensure integrity in their relationships with stakeholders.

- Ethics management techniques are highly useful for managing strategic values, e.g., expand market share, reduce costs, etc. McDonnell Douglas integrates their ethics programs into their strategic planning process.
- Ethics management programs are also useful in managing diversity. Diversity is much more than the color of people's skin — it's acknowledging different values and perspectives. Diversity programs require recognizing and applying diverse values and perspectives — these activities are the basis of a sound ethics management program.

Q9. Ethics programs help avoid criminal acts “of omission” and can lower fines. Describe the statement

Ethics programs tend to detect ethical issues and violations early on so they can be reported or addressed. In some cases, when an organization is aware of an actual or potential violation and does not report it to the appropriate authorities, this can be considered a criminal act, e.g., in business dealings with certain government agencies, such as the Defense Department. The recent Federal Sentencing Guidelines specify major penalties for various types of major ethics violations. However, the guidelines potentially lower fines if an organization has clearly made an effort to operate ethically.

Q10. What is corporate citizenship?

A foundational principle for every company should be to provide a safe workplace, to protect the environment, and to become good citizens in the community.