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Academic Scripts

Introduction:

This session will explore the idea of business ethics with context to its relevance, values and management of business.

This session deals with Ethics which concern with an individual's moral judgments about right and wrong. Decisions taken within an organization may be made by individuals or groups, but whoever makes them will be influenced by the culture of the company. The decision to behave ethically is a moral one; employees must decide what they think is the right course-of-action.

This session will argue that organizations often have a set of values or principles which reflect the way they do business or to which they aspire to observe in carrying out their business. These include business values such as innovation, customer service and reliability; it also includes ethical values which guide the way business is done - what is acceptable, desirable and responsible behavior, above and beyond compliance with laws and regulations.

The most common ethical values found in corporate literature are, integrity, fairness, honesty, trustworthiness, respect, openness. They are commonly expressed through an ethics policy and a code of ethics.

1. Relevance of ethics in business

An ethical business is one which applies a set of moral principles to all interactions with stakeholders, such as its treatment of employees, customers, suppliers and shareholders. Being ethical means a business goes beyond merely complying with laws and regulations, but makes choices about what it is prepared to do, and what it will not. Therefore, an ethical business strategy may exclude behavior, which is legal, but conflicts with the businesses ethical policy.

Setting ethical objectives is the process by which organizations apply ethical values to their targets and the actions by which they will achieve them. These ethical values should cover all the actions of the organization from tactical to strategic.

Businesses may be faced with some of the following issues, which have ethical dimensions:

- Should we produce in a low-cost developing economy?
- Should we promote products that might damage health?
- Should we seek to undermine our competitors?
- Should we pay minimum wage rates to our employees?
- Should we employ migrant labor to cut costs?
- Should we transfer our production units to countries with less strict health and safety laws?

Corporate Culture and Ethical Objectives

To be effective in applying ethical standards a business needs to make certain that an **ethical corporate culture exists**, is known by all employees and is evenly applied by all responsible for decisions relevant to the code of ethics.

If this approach is **not** followed the company runs the risk of having clashes between its values and their application.

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.

Ethical Objectives and 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, asset management company 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.

Remember that ethics may be a subjective concept, varying from country to country and culture to culture and, of course, from individual to individual. Even within a single firm there will be a huge range of opinions about what is right and what is wrong. The only difference though between a business and everyday life, is that employees should know a little about the firms values before they join, and to some extent are signing up to these.

Ethics also covers different areas than that covered by the law. It is possible for a business to act legally, but in a manner that many would consider unethical. Selling cigarettes or weapons, for instance, fits into this category.

1. Values 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.

Luckily, in the world of business ethics, your employer helps you. In a nutshell, their values are your values (in the context of work). Your freedom to choose your own ethical values is somewhat limited. Considering the rash of corporate scandals these days, the thought of following the corporation's values might not be too comforting. Problem: Whose or what values can you trust?

Look behind successful, honest businesses and you will see a set of values that have stood the test of time. Think about how these values are communicated in your organization and what you can do to support them.

Honesty: The old adage, "honesty is the best policy" is true today more than ever. It's not just lip service. Employee manuals from most scandalized corporations are likely to contain slogans touting its commitment to honesty. Claiming to be honest in an employee manual is passé. You're either honest or not. Even if you haven't got caught yet, most people know who is and who isn't.

Integrity: Integrity connotes strength and stability. It means taking the high road by practicing the highest ethical standards. Demonstrating integrity shows completeness and soundness in your character and in your organization.

Responsibility: Blaming others, claiming victimhood, or passing the buck may solve short-term crises, but refusal to take responsibility erodes respect and cohesion in an organization. Ethical people take responsibility for their actions. Likewise, actions show the ability to be responsible both in the little and big things.

Quality: Quality should be more than making the best product, but should extend to every aspect of your work. A person who recognizes quality and strives for it daily has a profound sense of self-respect, pride in accomplishment, and attentiveness that affects everything. From your memos to your presentations, everything you touch should communicate professionalism and quality.

Trust: There's no free ride. Trust is hard to earn and even harder to get back after you've lost it. Everyone who comes in contact with you or your company must have trust and confidence in how you do business.

Respect: Respect is more than a feeling, but a demonstration of honor, value, and reverence for something or someone. We respect the laws, the people we work with, the company and its assets, and ourselves.

Teamwork: Two or more employees together make a team. It is a business necessity to work openly and supportively in teams whether formal or informal.

Leadership: How many hardworking, honest employees have been tainted and led astray by corporate leadership failings? Managers and executives should uphold the ethical standards for the entire organization. A leader is out front providing an example that others will follow.

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.

Shareholder Value: Without profitability, there is no company. Every employee should understand how he or she fits into the profitability picture. Everyone's common goal should be to build a strong, profitable company that will last.

The real test of these values comes from the resulting action. It takes a concerted, company-wide effort, beyond inserting these words in an employee manual, to make it happen.

First, management must lead by example. Good ethics should be most noticeable at the top. Every employee must be accountable to the same rules.

Second, a corporate values or ethics initiative must be "sold" and "marketed" aggressively throughout a company. Every forum and medium should be used to spread the good message. Of course, it will only be credible if the company is practicing what it preaches.

Third, training must be provided to get everyone on the same page. It's easy to ignore a motivational speech or pass by a poster, but spending time learning about the issues will have a lasting impact.

Fourth, both you and the company must be in it for the long pull. The ethics fervor should extend to the next generation of employees. The longer it lasts, the more ingrained the principles will become.

Despite failings of some, there is plenty of room at the table for good ethics and profitable business to reside. Together they can lay the keystone for a secure and prosperous society. These ten values are important.

3. Management of ethics

Benefits of ethics with context to Management

Many people are used to reading or hearing of the moral benefits of attention to business ethics. However, there are other types of benefits, as well.

The following list describes various types of benefits from managing ethics in the workplace.

1. Attention to business ethics has substantially improved society

- Few decades ago, children in our country worked 16-hour days. Child labour was commonplace.
- Workers' limbs were torn off and disabled workers were condemned to poverty and often to starvation.
- Trusts controlled markets to the extent that prices were fixed and small businesses choked out. Price fixing crippled normal market forces.
- Employees were terminated based on personalities. Influence was applied through intimidation and harassment.
- Then society reacted and demanded that businesses place high value on fairness and equal rights. Anti-trust laws were instituted.
- Government agencies were established. Unions were organized.
- Laws and regulations were established.

2. Ethics programs help maintain a moral course in turbulent times

- Attention to business ethics is critical during times of fundamental change — times much like those faced now by businesses, both nonprofit and for-profit.
- During times of change, there is often no clear moral compass to guide leaders through complex conflicts about what is right or wrong.
- Continuing attention to ethics in the workplace sensitizes leaders and staff to how they want to act — consistently.

3. Ethics programs cultivate strong teamwork and productivity

- Ethics programs align employee behaviors with those top priority ethical values preferred by leaders of the organization.
- Usually, an organization finds surprising disparity between its preferred values and the values actually reflected by behaviors in the workplace.
- Ongoing attention and dialogue regarding values in the workplace builds openness, integrity and community — critical ingredients of strong teams in the workplace.
- Employees feel strong alignment between their values and those of the organization.
- They react with strong motivation and performance.

4. Ethics programs support employee growth and meaning

Attention to ethics in the workplace helps employees face reality, both good and bad — in the organization and themselves. Employees feel full confidence they can admit and deal with whatever comes their way. Bennett, in his article “Unethical Behavior, Stress Appear Linked” in the (Wall Street Journal,), explained that a consulting company tested a range of executives and managers. Their most striking finding: the more emotionally healthy executives, as measured on a battery of tests, the more likely they were to score high on ethics tests.

5. Ethics programs are an insurance policy — they help ensure that policies are legal

There are an increasing number of lawsuits in regard to personnel matters and to effects of an organization's services or products on stakeholders. As mentioned earlier in this document, ethical principles are often state-of-the-art legal matters. These principles are often applied to current, major ethical issues to become legislation. Attention to ethics ensures highly ethical policies and procedures in the workplace. It's far better to incur the cost of mechanisms to ensure ethical practices now than to incur costs of litigation later. A major intent of well-designed personnel policies is to ensure ethical treatment of employees, e.g., in matters of hiring, evaluating, disciplining, firing, etc. Drake and Drake note that "an employer can be subject to suit for breach of contract for failure to comply with any promise it made, so the gap between stated corporate culture and actual practice has significant legal, as well as ethical implications."

6. Ethics programs help avoid criminal acts "of omission" and can lower fines

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.

7. Ethics programs help manage values associated with quality management, strategic planning and diversity management — this benefit needs far more attention

- 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.

8. Ethics programs 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.”

Summary:

All businesses require a stable society in which to carry on their business dealings. No business can exist entirely without ethics; the pursuits of business require at least a minimal adherence to ethics on the part of those involved in business.

All over the world, there is a growing realization that ethics is important for any business and to achieve the progress of any society. Ethics gives rise to efficient economy. What is considered ethical by one society may be forbidden by another society.

Business ethics concentrate on moral standards as they apply to business policies, institutions and behavior. It is specialized study of moral right or wrong. Management has more opportunities than others to set an ethical tone for the company.

In most cases, the general public expects business to exhibit high levels of ethical performance. Businesses that treat their employees with dignity and integrity reap many rewards in the form of high morale and improved productivity.