Ethical Issues in Business

Ajit Singh, Assistant Professor

Deptt.of Comm, C.R.A. College, Sonepat

Abstract

We all participate in the business world in our everyday lives. Just by living in our homes, going to work, driving our cars, using public transport, going to the shops, parks, beaches or schools or going to hospitals we interact directly or indirectly with the goings on the business community. And these interactions bring business ethic into play. Whether we are employees or employers; consumes wholesalers or retailers; service users or provides; business purchasers or business suppliers, ethical issues are always raised. The present article deals with the meaning of business ethic, importance of business ethics, philosophical approach of business ethics, and policies for improving ethical issues in Business.

Introduction

The word 'ethics' comes from the Greek word 'ethikos.' It refers to one's moral character and the way in which society expects people to behave in accordance with accepted principles of right or wrong that govern the conduct of a person, the members of a profession, or the actions of an organization. **Business ethics** are the accepted principles of right or wrong governing the conduct of business people. Ethical decisions are those that are in accordance with those accepted principles of right and wrong, whereas an unethical decision is one that violates accepted principles.

Business ethics are not divorced from personal ethics. As individuals we are taught that it is wrong and unethical to lie and cheat and that it is right to behave with integrity and honor and to stand up for what we believe to be right and true. The personal ethical code that guides our behavior comes from a number of sources, including our parents, schools, religions, and the media.

Our personal ethical code exerts a profound influence on how we behave as business people. An individual with a strong sense of personal ethics is less likely to behave in an

unethical manner in a business setting – and in particular is less likely to engage in self-dealing and more likely to behave with integrity. According to Bryce, the tone was set by top managers who engaged and self-dealing to enrich themselves and their own families.

Ethics concern 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 may involve rejecting the route that would lead to the biggest short-term profit.

Importance of Business Ethics

Ethical behavior and corporate social responsibility bring considerable benefits to a business. They are as follows:-

- Draw customer towards the firm's product, thereby boosting sales and profits.
- Put together employees to stay with the business, reduce labour turnover and therefore increase productivity.
- Attract more employees wanting to work for the business, reduce recruitment costs and enable the company to get the most talented employees.
- Attract investors and keep the company's share price high, thereby protecting the business from takenover.

PHILOSOPHICAL APPROAHCES TO EHTICS

Let's take a closer look at the philosophical keystones of business ethics. These theories have a practical purpose. They provide guidance that can help managers navigate their way through difficult ethical issues and make better decisions.

The **utilitarian approach** to ethics holds that the moral worth of actions or practices is determined by their consequences. Utilitarianism is committed to the maximization of good and the minimization of harm. Utilitarianism recognizes that actions have multiple consequences, some of which are good in a social sense, and some of which are harmful.

Rights theories recognizes that human beings have fundamental rights and privileges. Rights establish a minimum level or morally acceptable behavior. One well-known definition of a fundamental right construes it as something that takes precedence over or "trumps" a collective good. Thus we might say that the right to free speech is a fundamental right that takes precedence over all but the most compelling collective goals; it overrides, for examples, the interest of the state in civil harmony or moral consensus.

Moral theorists argue that fundamental human rights form the basis for the moral compass managers, should navigates by when making decisions that have an ethical component. In a

business setting, stakeholder theory provides a useful way for managers to frame nay discussion or rights. As noted earlier, stockholders have basic rights that should be respected, and it is unethical to violate those rights.

Justice Theories focus on attaining a just distribution of economic goods and services. A just distribution is one that is considered fair and equitable. One of the most influential justice theories was developed by the philosopher John Rawls. Rawls asserts that all economics goods and service should be distributed equally except when an unequal distribution would work to everyone's advantage. According to Rawls, valid principles of justice are those to which all people would agree if they could freely and impartially consider that situation. Impartially is guaranteed by a conceptual device that Rawls calls the veil of ignorance.

Under the veil of ignorance, everyone is imagined to be ignorant of all his or her particular characteristics (such as race, sex, intelligence, nationality, family, background, and special talents). Rawis then asks what system people would design under such a veil of ignorance. Rawls's answer is that under these conditions, people would unanimously agree on two fundamental principle of justice. The first principle is that each person should be permitted the maximum amount of basic liberty compatible with similar liberty for others. Roughly speaking, Rawls takes these to be political liberty (such as the right to vote), freedom of speech and assembly, liberty of conscience and freedom of thought, the freedom and right to hold personal properly, and freedom from arbitrary arrest and seizure. The second principle is that once equal basic liberty is ensured, inequality in basic social goods – such as income and wealth distribution and opportunities – is to be allowed only if it benefits everyone.

Thus in a real sense Rawls's veil of ignorance is a conceptual tool that contributes toward amoral compass that managers can use to navigate through difficult ethical dilemmas and make decision that are ethically robust.

Behaving ethically in many cases there is no easy answer to this question: Many of the most vexing ethical problems arise because they contain real dilemmas and no obvious right course of action. Nevertheless, managers can be should do many things to ensure that basic ethical principles are adhered to and that ethical issues are routinely inserted into business decisions.

Hiring and Promotion It seems obvious that businesses should strives to hire people who have a strong sense of personal ethics and would not engage in unethical or illegal behavior. Similarly, you would rightly expect a business to not promote people, and perhaps fire people, whose behavior does not match generally accepted ethical standards. But when you think about it, doing so is difficult. Not only should businesses strive to identity and hire

people with a strong sense of personal ethics, but it is also in the interests of prospective employees to find out as much as they can about the ethical climate in an organization. After all, nobody should want to work at a firm like Enron. That business leaders give life and meaning to those words by repeatedly emphasizing their importance and then acting on them. This means using every relevant opportunity to stress the importance of business ethics and making sure that key business.

Decision-Making Processes in addition to establishing the right kind of ethical culture in an organization, business people must be able to think through the ethical implications of decisions in a systematic way. A decision is acceptable on ethical grounds if a businessperson can answer yes to each of these questions:

> Does my decision fall within the accepted values or standards that typically apply in the organizational environment (as articulated in a code of ethics or some other corporate statements)?

> Am I willing to see the decision communicated to all stakeholders affected by it – for example, by having it reported in newspapers or on television?

Ethics Officers To ensure that a business behaves in an ethical manner, a number of firms now have ethics officers. These are individuals who make sure that all employees are trained to be ethically aware, that ethical considerations enter the business decision-making process, and that the company's code of ethics is adhered to. Ethics officers may also be responsible for auditing decisions to make sure they are consistent with this code.

Moral Courage It is important to recognize that on occasion managers may need significant moral courage. This enables managers to walk away from a decision that is profitable but unethical. Moral courage gives an employee the strength to say no to a superior that tells her to him to pursue actions that are unethical.

All of the steps discussed here can ensure that when managers make business decisions, they are fully cognizant of the ethical implications and do not violate basic ethical precepts. But we must remembers that not all ethical dilemmas have a clean and obvious solution; that is why they are dilemmas. At the end of the day, there are clearly things that managers should not do and things they should do; but there are also actions that present true dilemmas. In these cases a premium is placed on the ability of managers to make sense out of complex messy situations and make balanced decisions that are as just as possible.

POLICIES FOR IMPROVING ETHICS IN BUSINESS

As part of more comprehensive business, many companies have formulated internal policies pertaining to the ethical conduct of employees. These policies can be simple

exhortations in broad, highly generalized language (typically called a corporate ethics statements), or they can be more detailed policies, containing specific behavioral requirement (typically called corporate ethics codes). They are generally meant to identify the company's expectations of workers and to offer guidance on handling some of the more common ethical problems that might arise in the course of doing business. It is hoped that having such a policy will lead to greater ethical awareness, consistency in application, and the avoidance of ethical disasters.

An increasing number of companies also require employees to attend seminars regarding business conduct, which often include discussion of the company's policies, specific case studies, and legal requirement. Some companies even require their employees to sign agreements starting that they will abide by the company's rule of conduct. Many companies are assessing the environmental factors that can lead employees to engage in unethical conduct. A competitive business environment may call for unethical behavior. Lying has become expected in fields such as trading. An example of this are the issue surrounding the unethical actions of the Saloman Brothers.

Not everyone supports corporate policies that govern ethical conduct. Some claim that ethical problem are better dealt with by depending upon employees to use their own judgment. Others believe that corporate ethics policies are primarily rooted in utilitarian concern, and that they are mainly to limit the company's legal liability, or to curry public favour by giving the appearance of being a good corporate citizen. Ideally, the company will avoid a lawsuit because its employees will follow the rules. Should a lawsuit occur, the company can claim that the problem would not have arisen if the employee had only followed the code properly.

Sometimes there is disconnection between the company's code of ethics and the company's actual practices. Thus, whether or not such conduct is explicitly sanctioned by management, at worst, this makers the policy duplicitous, and, at best, it is merely a marketing tool. Jones and Parker write, "Most of what we read under the name business ethics is either sentimental common sense, or a set of excuses for being unpleasant." Mnay manuals are procedural from filling exercise unconcerned about the real ethical dilemmas.

CONCLUSION

So, after having identified that ethics is a must in business, let us pass to a more complicated domain – how to implement ethical behavior in practice in long term. Should an individual follow one's own ethical convictions, in order to act ethically in international business? Should every company create its ethical code of conduct and monitor its

employees' compliance at all times? If so, how to achieve it? And what happens when two individuals or two companies with different codes of conduct meet for cooperation? How to ensure ethical behavior, in case ethical values and principles do not coincide?

Thus, ethicial code are often adopted by management, not to promote a particular moral theory, but rather because they are seen as pragmatic necessities for running an organization in a complex, society in which moral concepts play an important part. They are distinct from that may apply to the culture, education, and religion of a whole society.

References

Boxall, P., & Purcell, J. Strategic management and human resources: the pursuit of productivity, exibility, and legitimacy Pinnington, Macklin & Campbell 2007, pp. 66-80.

Guest, D.E., Michie, J., Conway, N., and Sheehan, M. (2003). 'Human Resource Management and Corporate Performance in the UK', British Journal of Industrial Relations, 41(2): 291-314.

Marcoux, A. (2009). Business-Focused Business Ethics.In Normative Theory and Business Ethics. J. Smith Plymouth Rowman& Littlefield: pp. 17-34.

Schneider, B., Hanges, P., Smith, D., and Salvaggio, A. (2003). "Which comes First: Employee Attitudes or Organization Financial and Market Performance?', Journal of Applied Psychology, 88:836-51.

Smith, A (1776/1952) An Inquiry into the Nature and Causes of the Wealth of Nations. Chicago, IL: University of Chicago Press, p. 55.

© **Associated Asia Research Foundation (AARF)**

A Monthly Double-Blind Peer Reviewed Refereed Open Access International e-Journal - Included in the International Serial Directories.

Page | 170