

ROLE OF BUSINESS ETHICS IN - RELATION TO BUSINESS DEVELOPMENT

Dr. Jayshri Jain

Mata Gujri Mahila Mahavidyalaya Autonomous Jabalpur

R.D.V.V. Jabalpur

ABSTRACT: Sustainable economic development of the business is the ultimate object for which business survives, and to achieve this object ethics plays an important role. Business Managers and employees have great power to influence any decision in organisation and behaviour that lead to sustainability. Ethical behaviour is expected by everyone in the modern workplace and outside the workplace. Business ethics is nothing but the in-depth study of business policies based on framework of values and principles. These values and principles govern how employer and employees should behave with each other and with outsiders. As Business is a part of larger social community, there must exist certain level of trust between business and various forms of market participants and consumers. To build this trust, ethics plays an important role. Business Ethics refers to a set of moral principles and social values that the business should adopt in its code of conduct. Thus, code of conduct is a governing principle that should be followed in everyday operation for the welfare of the society and stake-holders. These governing principles is called business ethics which decide what is right and wrong and helps the business to maintain better and harmonious relations with the society, employees and other business partners. In this paper we try to understand importance of ethical principle as business profit, productivity and goodwill, it is directly related with its ethical conduct.

Keywords: Business Ethics, Business Organization, Ethical Principle, Unethical practices

INTRODUCTION

➤ What is Ethics?

Ethics deals with moral principles and social values. It is a set of code of conduct, that tells us what is good and what is bad? So, ethics creates a line between good and bad, right and wrong, fair and unfair, moral and immoral and proper and improper human action. In short, ethics means a code of conduct helps in governing business behaviour.

➤ What is Business Ethics?

In short, business ethics means how to conduct business to give maximum welfare

to the society in which it exists. So, the businessmen are expected to give good quality goods and services at fair prices to their consumers. They must avoid indulging in any practices that are against its good conduct like adulteration, black marketing promoting misleading advertisements, cheating in weights and measures etc. Thus it can be said that business should provide good working condition to their worker, pay fair wages to them, avoid unfair trade practices, encourage healthy competition, always promote interest of small businesses, and

pay all the applicable taxes to government on time.

Definition of Business Ethics:

According to Andrew Crane-

“Business ethics is the study of business situations, activities, and decisions where issues of right and wrong are addressed.”

Business Ethics or Moral Ethics refers to ethical business practices or principles that govern any organisation in conducting its everyday affairs. It is a line of demarcation that tells what right ethical practices are and what are wrong. Business Ethics is the study of ethical principles, policies and activities, situations and problems that take place in the regular working of the organisation.

Learning the importance of Business Ethics in today's scenario has become utmost important for business enterprises as there are number of laws which has been enacted that regulates the business working and protects and promotes the interest of the people inside and outside the organisation that is of employees and consumer respectively.

Thus, Business Ethics is nothing but a set of ethical principles that govern the company's activity. It is a way of respecting consumer's needs by following integrity, honesty and fairness in action. Therefore, Business Ethics means “good business practices” that a business must practise.

WHY BUSINESS ETHICS?

The concept of Business Ethics is same as that of corporate social responsibility (CSR). It means that business has certain responsibilities to be fulfilled toward the consumer, society and stakeholders while earning profit.

Understanding the concept of business ethics is important because business can go unethical while earning profit. Businesses are duty bound to be accountable to natural and social environment in which it operates. Organisation should be ethical in its action irrespective of its demands and pressure upon it, because of two reasons:

1. It's actions directly affect consumer and society.
2. Businesses are judged as ethical or unethical based on its actions alone.

Business Ethics are important because it outlines the acceptable and non-acceptable behaviour of an organization. It is a set of rules that the company must follow in order to build a good reputation. Lack of Business Ethics can lead to financial pitfall, moral dilemma, and increase in number of law suits. On the other hand survival of business also depends on the goodwill of the business with is ultimately govern by good ethical practices followed inside the organisation. Therefore, it is important for business in order to earn higher profit and to be successful amongst its competitors to follow good and ethical business practices.

IMPORTANCE OF BUSINESS ETHICS IN BUSINESS DEVELOPMENT

Business enterprises establish ethical business practices in order to promote integrity among their employees and gain trust from stake-holders, consumers and investors.

Thus, in order to survive and grow in market, it is necessary for business enterprises to follow ethical principles in its functioning:

1. Good Public Image

A business organisation which follows a set of good ethical principles in its

working portrays a better public image. Thus, organisation which adequately pays attention to its ethics earns a good public image in the eye of its employees.

2. Earn Long Term Profit

As profit is the ultimate goal for which business exists, but along with earning profit, business should keep in mind that it should be earned through ethical means. For earning long term profit, business must understand that it has to follow moral principle that govern the society and consumer so that they can build their trust and in-turn helpful for earning high amount of profit.

3. Employee's Perfection

To attract and retain individual talent in the organisation, it should create and retain the atmosphere of fairness and openness in its working. If in organisation, employees are free to speak up their ideas and work in an environment which is free from favouritism, it will benefit the organisation as employees will work with their full dedication. Employees will not work with their full dedication in an environment where they smell unfairness or favouritism in the actions of the company.

4. Long Term Sustainability of the Organisation

There is a simple way to retain sustainable in the market is to follow good and moral ethical practices in day-to-day life. Due to a number of enactments in law, if business follows any unethical practices in its working, it will be caught in near future but it cannot in anyway abscond from it, which ultimately hampers the functioning of it. Therefore, business should always follow ethical practices for long term sustainability in the market.

5. Increased Confidence

Following good ethical practices increases the confidence of both employees and the customer, displaying its ethical principle and imposing fine penalties for anyone who adopts unethical practices in the organisation. Business creates sense of confidence among its employees and consumer.

6. Less Error in Working

By adopting ethical principles, practices and undertaking ethical awareness programs, helps less error in working. Undertaking awareness programs helps the worker in omission and lowering the levy of heavy penalties and fines. Thus, violation of rules and ethical issue can be detected at an early stage by these programs.

7. Control Business Malpractices

Business ethics set certain rules and regulations to be followed by businesses strictly, as its violation leads to fine and penalty. Business ethics directly influence operation of business. Implementation of business ethics principle ensure that business does not indulge in any unfair trade practices like black marketing, hoarding, adulteration, frauds, misleading advertisement etc. Thus role of business ethics is to provide good quality of product to its consumer by controlling malpractices.

PRINCIPLES OF BUSINESS ETHICS

Ethical guidelines vary from company to company and depend on company's mission, preference and purpose. These written and unwritten rules help to prevent unethical practices in the organisation. Some of the common principles of Ethical marketing are:

1. Integrity

Integrity in business ethics means adhering to company's code of conduct and

principles that govern business. In ethics, integrity means honesty and truthfulness in one's actions. Integrity in business ethics can be followed by being honest, being consistent, meeting commitments and obligations, acting in good faith, accepting good accountability etc.

2. Honesty

Honesty in ethics means honesty in words and actions. Deliberately misleading or misinterpretation of facts leads to unethical business practices. Honesty requires commitment of telling the truth regardless of its consequences. Business executives must tell both favourable and non-favourable conditions to their customer and employees.

3. Compliances

Compliances with applicable laws to business are most basic ethical principle. Complying with all the laws applicable to business at micro and macro level ensure that the company operates within the laws framed and stays true to its own ethical principles.

4. Loyalty

Business executive should always be faithful and loyal towards its employees and act in good faith. It means remaining faithful towards the clients, co-workers and other business partners. If the business wants to develop lasting partnership with other firms and retain its business contract with others, it has to maintain the loyalty with them.

5. Fairness

Business enterprises should always be fair in all its dealings. They should never exercise the power arbitrarily nor do they use extraordinary means to gain undue advantage. Company should be fair with everyone whether dealing with the

customer or with the employees. Being fair at workplace creates an environment of equality where employees feel comfortable in working.

6. Accountability

Accountability means taking responsibility for actions done. Companies are directly accountable to its consumers. There are various means through which consumer can connect to business via e-mails, toll free numbers or through websites and resolve the grievances. Accountability is also important for the employee whether they are following ethical practices in work or not, it is to be checked by their superiors.

7. Leadership

Leadership helps the business to create a positive work attitude. By guiding the worker in right way in their work leads to good leadership, it helps in setting positive example of ethical behaviour. Businesses can set good leadership example by constantly improving operational efficiency, customer approvals and workers satisfaction.

UNETHICAL BUSINESS PRACTICES

Unethical business practices mean unacceptable business practices in day-to-day actions. These actions don't confirm to established business standards. Due to cut throat competition and survival in the market, the line between the acceptable and unacceptable business have blurred and the focus of the business have been shifted from utmost profit to consumer to higher personal profit.

Here are some unethical business practices that companies are following to earn more and more profit:

1. Discrimination Among Employees

Racism and discrimination among

employees at workplace results to disrespectful work behaviour. Discrimination on the basis of sex, caste, and religion is unethical business behaviour. To prevent this anti-discrimination policies and code of conduct are in place to prevent such disrespectful discriminatory behaviour and establish correct practices.

2. Unfair Competition

Using unethical business practices such as misappropriation of trademark, infringement of copyright, using false logo, selling duplicate product in market in the name of original one, taking benefit from trade secrets of others are all means of unfair competition. Business has also taken route of cyber defamation where they spread false information about their business brand on a social media platform.

3. Misleading Consumers

Misleading consumers with false claim is one of the biggest unethical practices businesses are following these days. For selling its product, it is adopting all means without seeing that it is ethical or not. They pay influencers for fake reviews or many companies exaggerate false features of the product or hide the side effects of it. They don't tell the terms and conditions properly or terms of after sales services and mislead the customer by giving false or incomplete information about the product.

4. Bribery

To get a favourable dealing is very common in business world. Influencing the business decision by adopting the unacceptable means like offering money or something of value in return is some unethical business practices businesses are following. To get an upper hand over the competitor or obtain the internal

information to ease a complicated administration process, businesses are following the process of bribery.

5. Manipulating Financial Statements

Many companies are manipulating their financial information and giving false information about their annual results to attract the investors and show up a good public image to stakeholders and consumers. Understanding liabilities, recording false transaction, overvaluing the inventory, inflating the profit are some common ways used by the business to manipulate their accounts and to hurt the end investors and consumers.

6. Hiding Hidden Terms and Conditions

Nowadays it is compulsory to accept the cookies before signing up on any webpage or before viewing any information. By clicking on the accept button user can accept the terms and conditions of the webpage. Almost no one reads the long user agreements which enable the business to use information about the customer through any unethical means and even they can sell the consumer's information to third party companies. They can put any conditions in their terms of service without seeing that they are legal or not.

CONCLUSION

A business is a collection of different proprietorships. Businesses are governed by its ethical and unethical conduct. Thus, it becomes very important for business to know what is important and what is right or wrong or fair or unfair. Business ethics is a human activity and like human conduct is governed by right or wrong, business is also evaluated from moral point of view. Ethics in organization

require a value based leadership from top of organisation till its bottom line. Businesses should plan and implement its code of conduct, rules and regulations in such a way that it will improve the performance of organisation and lead to ethical conduct. Without proper ethical principles in place, business cannot sustain for a long time. Thus, business has to be aware of new rules and regulations applicable to concern and surrounding environment. It has to understand that its activities directly affect the society in which it exists. A real answer to what is business ethics is how a business conducts and govern itself. All business organisations working in society should have moral values while dealing with others. The finance area has to have business ethics. Marketers should be aware of how their behaviour may influence or affect the behaviour of others in

organizational relationships. They should not demand, encourage or apply coercion to obtain unethical behaviour, in their relationships with others, such as employees, suppliers, or customers. The manager has to deal with a variety of ethical challenges; it deals directly with people employed in organisation. There are numerous ethical pitfalls that can damage a company's reputation if not handled in the right way by managers of organisation. Thus manager has to keep very close eye on whether companies ethical principles are being followed by all or not and what measures should be taken to improve them. Therefore, very important part of businesses is that it should always stick to loyalty and satisfaction of its employees and consumers which will lead to quality of work and increased performance and goodwill of the organisation.

REFERENCE

1. <https://www.investopedia.com/terms/b/business-ethics.asp>
2. https://www.researchgate.net/publication/228469949_Business_Ethics
3. <https://commercemates.com/importance-of-business-ethics/>
4. <https://www.indeed.com/career-advice/career-development/business-ethics>
5. <https://www.toppr.com/guides/business-communication-and-ethics/business-ethics/meaning-and-ethical-principles-in-business/>
6. <https://online.marquette.edu/business/blog/what-are-the-12-ethical-principles-for-business-executives>