
Contemporary Business and Ethics

¹Mukesh Ranga*

*Institute of Business Management, CSJM University, Kanpur (INDIA)**

Received: April 19, 2022; Revised: Dec 3, 2022; Accepted: April 25, 2023

Abstract-Mankind is progressing since inception. Science has improved our understanding of physical understanding surrounding us and technology has improved the reach of conveniences through effective ways. Ethics are associated with moral of human beings to guide them towards the social acceptance. Ethics develop happiness among human beings. Ethics directs individuals towards the right directions and save to move in wrong direction. Present cutthroat competition in market induces the marketer to adopt unethical ways to survive in the market but that is hara-kiri for the business. For effective business organizations try to attract the customers towards their business and well as they wish to retain in market for longer time. For sustainable growth in the market and gain the trust of the customers, it is necessary to follow ethics in business organizations. Present paper discusses the ethics and business ethics along with its role in the competitive business world. Paper also discusses the principles of business ethics.

Keywords: *Ethics, business ethics, unethical behavior, modern business*

Introduction

Ethics are moral principles to direct individuals and society towards the right path. For betterment a business, the entrepreneur has to take various decisions in the market. Ethics and ethical behavior are essential elements of healthy management. In competitive market, for survival and growth more relevant and effective information is essential than ever before. There is not any field stated as problem free and business organizations are also not exempted from this. Although we are moving forward in information age but there is need to collaborate among business, ethics and economies. Any organization needs to earn honest profit through transparent policies, participation of stakeholders and respect of the environment.

According to the Stanford Encyclopedia of Philosophy, business ethics is the applied ethical discipline that addresses the ethical characteristics of commercial activity. Ethics is the discipline for any situation that includes elements of good and evil to be considered and take justified decision. Ethics exists in business since the inception trade and commerce. Initially human activity was basic part of business and psychological and social guidelines were framed and followed. It is a dualistic matter involving both corporate and personal ethics. Corporate ethics establishes a business ethical framework. The guideline specifies that all the employees have to follow in their enactment. Personal ethics includes individual definitions of right and wrong action and

¹ <https://doi.org/10.51659/josi.22.168>

judgments. Ethics develops acceptable behavior in organization. Ethics creates do's and don'ts tendency among the business stakeholders. Image building without ethics is improbable.

The world community is sincerely and eagerly seeking timely answers to fundamental questions related to ethics in conducting businesses, especially in light of corporate fraud. All professionals play a major role for their clients in the discharge of their functions. Often, there is a conflict of interest in organizational life, which represents an ethical dilemma or a dilemma and is fundamentally related to the mutuality of individuals and institutions.

Ethics and ethical behavior are essential elements of healthy management. More information and business opportunities are needed in the modern business world than ever before, necessitating an abundant access of ethics. Ethics escorts the employees and management to have a second thought on the actions of the organization and create the dignity in business and society.

Literature Review

Throughout history, advocates of business ethics from various backgrounds and ideologies have consistently emphasized that business professionals should refrain from engaging in dishonesty, deceit, or theft. This viewpoint is also echoed by institutions and governmental bodies that prioritize business ethics and its repercussions. These entities have repeatedly urged business individuals to conduct their operations in an ethical manner when dealing with customers, rivals, employees, government entities, communities, the general public, and the environment. (Abend, G. 2014)

Work is worship, Unity, justice, Benevolence and trusteeship are common ethics in Hinduism and Islam. (Richardson, Sinha & Yaapar, 2014). Similar to individuals, organizational cultures can embrace values that perpetuate and incentivize excessive work dedication, self-centeredness among employees, excessive control, dogmatism, and stubbornness. This scenario frequently results in a mere verbal or written exercise intended to protect the status and influence of the leaders of the organization. Despite the apparent harmful outcomes and moral failures in the organization's behavior, these actions continue, hindering the acknowledgment of the negative effects on the organization's efficiency, its employees, and the community as a whole. (Fry & Cohen, 2009)

Ethical leadership based three foundational columns: (1) moral character of the leader, (2) the ethical truthfulness of the leader's visualisation and morals, which followers may hold or discharge, and (3) the decency of the decisions and actions commenced by leaders and chased collectively. (Brown and Trevino, 2006)

There is a general consensus that the ethical conduct of managers is closely tied to the culture of a country. This behavior manifests in two primary forms: firstly, through explicit arrangements such as civic or commercial statements and behaviors that promote ethical behavior; and secondly, through the collective adoption of ethical attitudes and values within the group. (Pitta, Fung & Isberg, 1999).

Ethics

Ethics encompasses a set of personal and professional principles and behaviors. While existing norms and judgments provide valuable insights, ethics challenges and tests them. Morality is not driven solely by feelings of approval or disapproval; instead, it requires a careful examination of the reality surrounding us. For instance, the act of laying off an employee during a recession can be emotionally unpleasant. However, ethical considerations go beyond emotions and are not merely governed by personal feelings. Ethics is distinct from legality, as it does not condone the violation of laws. Rather, it provides guidance and sheds light on the limitations of the legal framework. The perception of ethical behavior can vary across societies, as what may be

considered morally acceptable in one society could be viewed as immoral in another. For instance, the consumption of Halal meat is deemed valid among Muslims but invalid among Hindus. Ethics is inherent in all human activities, including business. In every human endeavor, there is a need for a science of morality to guide our actions and decisions.

Business ethics

Ethics in business pertains to the establishment of virtuous principles and guidelines for the conduct of business enterprises. It focuses on promoting positive values within business activities. Ethics plays a vital role in shaping the direction of business endeavors. Management ethics is closely tied to the social responsibility of a company, influencing decision-making processes by considering notions of good and bad, right and wrong, as well as moral duties and obligations. Ethics encompasses the set of moral principles that guide the actions of individuals or groups. In the context of business, ethics refers to the application of these principles to business relationships and activities. It serves as a framework that governs the operations and performance of a business, establishing standards of behavior and addressing the challenges faced by organizations. Business ethics differentiates between right and wrong, provides guidance on what to do and what not to do, and distinguishes between just and unjust practices. It is a crucial aspect of Corporate Social Responsibility, urging businesses to engage in socially responsible behavior. This entails not only pursuing profits but also acting as responsible corporate citizens. Compliance with the law is a moral imperative that ensures the long-term viability and prosperity of businesses. While ethics not only describes the behavior of business managers (descriptive ethics), it also prescribes how they ought to behave (normative ethics). It extends beyond legal obligations, acknowledging that certain activities may be ethical but illegal, or vice versa, where some actions may be legal but morally questionable.

Ethical business activities

A study conducted by Barry Posner and Warren Schmidt sheds light on the ethical practices observed by business managers. The primary objective of managers is to achieve organizational effectiveness, with profit maximization and stockholder interests not being the dominant goals. Instead, a key focus is placed on fostering customer cooperation. Maintaining integrity at all levels of management is highly valued and regarded as a crucial attribute. Adherence to organizational standards is essential in the workplace. Furthermore, most managers actively seek advice from others when faced with ethical dilemmas.

Unethical behavior in modern business

Behavior that does not follow moral rights, obligations and duties is immoral. There are several factors that contribute to unethical business practices, including:

1. Market Competition

There is intense competition among industries that manufacture similar products. Some producers encourage unethical behavior in order to win the trust of customers.

2. Inter-organizational dependency

In business, different organizations depend on each other and work for the future on the same basis. They compromise on certain issues which they do not adopt while working independently.

3. Burden for Advanced Performance

When employees are compelled by management to enhance productivity, they resort to expedients and compromise on quality to attain goals. This subjects them to heightened pressure, leading to elevated levels of mental and physical exhaustion.

4. Underwhelming financial performance

If companies are experiencing financial losses, substantial debts, and are unable to regain stability through regular business operations, they may resort to unethical practices in an attempt to transform their loss-making units into profitable ones.

5. Employees dissatisfaction

When employees feel dissatisfied with their employer's conduct and policies, they may engage in unethical behavior as a means to express their discontent and demonstrate disregard for their employers.

Factors influencing business ethics

1. Legal Distresses

There can be business practices that are morally wrong but not necessarily illegal. Examples include divulging trade secrets to competitors, utilizing company resources for personal gain, or accepting bribes from business clients. These activities may not violate any laws but are considered unethical in the business context.

2. Government Rules

Government regulations establish simplified ethical standards that managers must adhere to. These standards address issues such as unfair competition, unwarranted price reductions, and restrictions on the production of harmful products. By setting guidelines, these regulations promote ethical behavior among managers.

3. Industry and Organization Ethical Code

The ethical standards employed by a particular organization are often influenced by the values and practices observed within the industry by other business enterprises. While there may not be a specific written code of conduct mandated for all businesses to follow, there is a general expectation that they adhere to commonly accepted practices when interacting with internal stakeholders.

4. Social pressure

The moral system recognizes that individuals and group members in society may hold different values. When there are shared values among society members, it becomes easier for managers to promote desired behaviors. However, if there are conflicting value systems, it can hinder managerial performance and make it challenging to achieve a unified direction.

5. Variation in individual standards and requirements of institutions

A discrepancy exists between the personal standards of individual employees and the standards set by the institution, which is not conducive for both the organization and its employees. Managers are responsible for identifying and addressing these differences, striving to reconcile the two sets of standards.

Principles of ethics in business

1. Principle of Honesty

The adage "honesty is the best policy" holds true not only in personal life but also in the realm of business. Honesty is of paramount importance when it comes to ethical principles. Without a commitment to honesty, an organization can deceive business partners and consumers, leading to

detrimental consequences. Numerous major scandals in the business world have arisen due to a lack of honesty, including instances where organizations have deliberately misled others about their products or events, or engaged in cover-ups.

2. Integration Principle

For an organization to genuinely embody ethical values, it must integrate virtuous practices throughout every level. This includes implementing ethical engagement procedures, conducting ethical terminations, and Embracing an ethical approach to production and product sourcing. Emphasizing the importance of ethics throughout the organization ensures a comprehensive commitment to ethical values. The focus should be on building an ethical organization from within, by incorporating ethical principles into organizational policies and business practices. Without this integration, the organization may struggle to uphold ethical standards due to deficiencies in its foundational structure.

3. Principle of Integrity

Honesty is a crucial element in practicing ethics. When an organization emphasizes integrity, it establishes clear boundaries between morally right and wrong actions. Executives and other members of the organization should have the freedom to exhibit integrity, while the organization as a whole must ensure that its leaders do not cross the established line between right and wrong. Unfortunately, many companies prioritize short-term profits over ethical considerations in their operations.

4. Principle of Trust

Credibility is synonymous with honesty, and it is an ethical practice that reflects how an organization conducts itself consistently over time. Trustworthiness is established when an organization consistently acts ethically, irrespective of favorable or challenging circumstances. By adhering to its ethical policies and standing up for what is right, the organization earns the trust of other companies and consumers. This ethical behavior not only strengthens relationships with customers and business partners but also enhances the organization's reputation. Over time, a trustworthy organization will build a strong reputation, attracting more business and gaining an advantage in the long run.

5. Responsibility Principle

Running a truly ethical organization involves recognizing the moral obligations a business has towards its employees, associates, and customers. Neglecting these responsibilities may lead a business to resort to unethical practices or take shortcuts to maximize profits or avoid challenging situations. Ethical leaders understand and embrace the responsibilities the organization has towards others, ensuring that these obligations are fulfilled in all aspects of the business's operations.

6. Principle of Truth

It is ethically imperative for managers to disclose accurate and fair accounting results to relevant stakeholders and to always be truthful. Withholding or distorting information deprives customers of the truth, which goes against ethical conduct.

7. Principle of Loyalty

Loyalty is a crucial aspect of ethical business practices. This encompasses not only employees demonstrating fidelity to the organization but also the organization exhibiting fidelity to its employees and associates. A morally upright organization acknowledges the significance of offering opportunities and options to its employees.

8. Fairness Principle

It can be challenging to uphold fairness in business. Frequently, there is an unjust option that appears easier and potentially more lucrative, but choosing such a path is deemed unethical and illegal. Employees who demonstrate competence and deserve promotion should be rewarded accordingly. It is crucial to treat other companies fairly, resisting the temptation to provide unfair advantages for personal gain. Similarly, customers should be treated fairly, avoiding the creation of unrealistic expectations through marketing and refraining from exploiting market trends by manipulating prices.

9. Principle of Respect

Management ethics necessitates that managers demonstrate respect towards individuals they interact with. This entails respecting their feelings and ideas, fostering a sense of unity and cohesion among stakeholders.

10. Compliance Principle

Achieving compliance with ethical standards and laws may initially seem straightforward for a business. However, when an organization attempts to bypass legal requirements in pursuit of quick profits, it opens the door to numerous scams and fraudulent activities. Compliance, however, extends beyond mere legal adherence. It encompasses the organization's commitment to its code of conduct and other ethical standards that may not be explicitly mandated by law. Neglecting compliance and failing to enforce ethical standards can give rise to significant internal issues within the organization.

Business developers need to keep in mind that implementation of ethics will enhance their prestige in society and goodwill in business. Some core values need to be adopted for insertion of ethics in organization. Anything you want others to do for you have to be done by you for others. Do not do to others that which you do not desire them to do to you.

References

- Vasishta N. & Rajput N, (2020). *Business Ethics and Values with Case Studies*. Delhi: Taxman
- Abend, G. (2014). Ethics as a Business Proposition. *In The Moral Background: An Inquiry into the History of Business Ethics*, pp 71–114. Princeton University Press. <http://www.jstor.org/stable/j.ctt5hhq6v.5>
- Fry, Louis & Cohen, Melanie. (2009). Spiritual Leadership as a Paradigm for Organizational Transformation and Recovery from Extended Work Hours Cultures. *Journal of Business Ethics*. 84. 265-278. 10.1007/s10551-008-9695-2.
- Richardson, Christopher & Sinha, Lalita & Yaapar, Md Salleh. (2014). Work ethics from the Islamic and Hindu traditions: In quest of common ground. *Journal of Management*. 11(1). Pp 65-90
- Barman, Himadri. (2009). *Indian Ethos and Values in Modern Management*. Delhi: Abe
- Brown, M. E. and L. K. Trevenio. (2006). 'Ethical Leadership: A Review and Future Directions', *The Leadership Quarterly* 17,pp 595–616

Pitta, Dennis & Fung, Hung & Isberg, Steven. (1999). Ethical issues across cultures: Managing the differing perspectives of China and the USA. *Journal of Consumer Marketing*. 16 (3). pp 240-256. 10.1108/07363769910271487.

Posner, B. Z., & Schmidt, W. H. (1987). Ethics in American companies: A managerial perspective. *Journal of Business Ethics*, 6 (5), pp 383–391.