UNIT 1 INTRODUCTION TO BUSINESS ETHICS

Structure

1.0 OBJECTIVES

After studying this unit, you will be able to:

- Explain the concept of business ethics
- Explain ethics in retail
- Identify code of conduct
- Identify challenges and implementation of business ethics

1.1 INTRODUCTION

All businesses need to follow a set of rules or ethics for all purposes. These fundamental rules must be followed by businesses including offering its customers high-quality products and services at fair costs. These rules include ethical practices to be observed in managing routine day-to-day activities with all the stakeholders, namely other similar companies, suppliers, vendors, consumers, employees, government, and business environment. Additionally, it must abstain from adulteration, deceptive advertising, and other unfair business practices.

Ethics is a subject of study in social science. It is a topic connected to morality and social values. The study of appropriate company practices and regulations with respect to potentially contentious topics, like corporate governance, insider trading, bribery, discrimination, corporate social responsibility, and fiduciary responsibilities, is known as "business ethics." Let us now discuss in detail the concept of business ethics and try to understand the features, principles, and elements of business ethics.

1.2 CONCEPT OF BUSINESS ETHICS

The term ethics originates from the Greek word ethos, signifying "character." Ethics, a branch of philosophy, focuses on human character and behavior, delving into questions of 'good and bad,' moral duty, and obligation. It serves as the framework for defining 'right' and 'wrong' in human actions and determining what actions 'ought to be.' In essence, ethics involves the embodiment of moral principles. Described as the "consideration and application of frameworks, values, and principles for developing moral awareness and guiding behavior," ethics is synonymous with terms such as "moral, good, right, just, and honest." Ethical standards are often referred to as "human conduct principles or ideals," reflecting qualities that contemporary society deems desirable.

While ethics is universally applicable to human character and behavior, its interpretation can vary in different contexts. In the realm of business, ethical considerations may diverge from those in general society. Business ethics, primarily concerned with the interplay between business objectives, techniques, and specific human needs, scrutinizes the impact of actions on individuals, firms, the business community, and society at large.

The definition of business ethics is articulated as "the study of professional practices," encompassing the exploration of the content, development, enforcement, and effectiveness of codes of conduct guiding individuals engaged in business activities. Various thinkers have offered distinct perspectives on business ethics. According to Andrew Crane, it entails examining business situations, activities, and decisions where issues of right and wrong are addressed. Raymond C. Baumhart defines business ethics as the "ethics of responsibility," emphasizing the commitment of businessmen to avoid knowingly causing harm.

1.2.1 Features of Business Ethics

The salient features of business ethics are as follows:

- **Code of Conduct:** In essence, a code of conduct serves as a manifestation of business ethics, delineating acceptable and unacceptable behavior that companies are obligated to follow.

- **Moral and Social Values as Foundation:** Business ethics finds its roots in moral and social values, providing a set of principles for companies to guide their operations.

- **Safeguarding Stakeholders:** Business ethics functions as a protective mechanism for various stakeholders associated with the business, including customers, employees, suppliers, vendors, shareholders, investors, and government entities.

- **Establishing a Fundamental Framework:** Business ethics acts as a foundational framework, outlining the parameters within which a company is expected to conduct its operations. It defines the social, cultural, economic, legal, and ecological context for the company's functioning.

- **Voluntary Nature:** Business ethics is inherently voluntary and is meant to be adopted willingly by companies operating within the broader regulatory framework.

- **Education and Training Requirements:** To enforce and implement ethical practices, businesses require adequate education, awareness, and training. This ensures that they comprehend the significance of ethical practices and can implement them in accordance with the norms and regulations of their respective countries.

- **Relative in Nature:** Business ethics is relative, exhibiting variations between different businesses and countries. For example, the ethical norms prevalent in European Union nations may differ from those in North or South American countries.

1.2.2 Principles of Business Ethics

Some of the important principles of business ethics are:

- **Integrity**:This includes maintaining the highest standards of honesty and veracity in all business transactions.

- **Trustworthiness**: It entails exhibiting dependability, consistency, and legitimacy in deeds and promises.

- **Accountability**:Business needs to take responsibility for all its actions and decisions made and is prepared to take the responsibility of the results or consequences of all these actions and decisions.

- **Transparency**:This includes providing complete and correct information to all the stakeholders.
- **Fairness**:A business is considered to be fair when it treats all concerned stakeholders including employees, customers and other companies with equality, impartiality and without any kind of discrimination.
- **Respect**: Treating all the people with equal dignity and respect both within and outside the company.
- **Caring**:To show concern and consideration for the welfare of the people and the society. Besides, it should be ensured that all activities of the company are sustainable and observe ecological protection.
- **Citizenship**: Being an accountable and ethical member of the society as a whole, the business community should favorably advance common good of the community.
- **Sustainability**: Ensure promotion of long-term sustainability in its business functions, practices, and strategic decisions.
- **Compliance**: Adherence to all legislations governing the company, rules and regulations, and industry norms simultaneously with maintenance of highest ethical standards.
- **Conflict of Interest Management**: Avoiding circumstances in which relationships or personal interests could taint unbiased decision-making or undermine the organization's integrity.
- **Whistleblower Protection**: Supporting and defending workers who bring up unethical activity or policy infractions to notice.

1.3 IMPORTANCE OF BUSINESS ETHICS

Moral rectitude and high ethical standards are vital qualities for the people to exhibit as they have no desire to violate rules and regulations. Naturally, we understand that doing good deeds and acting honorably is a vital thing to do, but we also need to promote and encourage such behavior by considering the goals of moral and ethical excellence. Being moral and integral is important for a variety of reasons, including:

1. **Build Customer Loyalty**: Customers might be willing to take advantage of a business once, but they will not return if they feel they have received unfair treatment, such as being overcharged. Since serving an existing client does not involve marketing costs, and obtaining a new one does, having a loyal customer base is one of the keys to long-term business success.
2. **Enhance a Company's Reputation**: A business's standing in the community for upholding moral principles can help it project a more favorable image, which in turn helps attract new clients through word-of-mouth recommendations. On the other hand, a reputation for

unethical business practices damages a company's ability to attract new clients, especially in this age of social media, when unhappy clients may spread word about their bad experiences with ease.

3. **Retain Good Employees**: Talented people want to be appropriately compensated for their effort and dedication, regardless of their position in the organization. They want to grow professionally inside the company to be determined by the caliber of their work rather than by favoritism. They want to work for an organization whose management team is honest with them about what's happening, including when layoffs or reorganizations are being considered.

   Talented individuals are more likely to stay with companies that treat them fairly and transparently. Employees who do not think the remuneration as fair may not be as committed to their work as they should be.

4. **Positive Work Environment:** Employees must conduct themselves ethically from the start of their employment interviews. They must be truthful about their qualifications and background. Employees who uphold ethics are viewed as team players as opposed to the lone individuals. They cultivate a good rapport with their colleagues. Because of their supervisors' confidence in them with sensitive material, they frequently receive increased autonomy.

   Workers who are exposed lying by the managers jeopardize their prospects of growing within the company and run the danger of losing their jobs. Stealing by the employee is a severe example of unethical behavior. This can be quite costly for the businesses in some sectors, including restaurants where staff members pilfer food from the freezer or storage locker. Making the effort to teach the employees about the appropriate behavior is one strategy used by ethical businesses to prevent this kind of act.

5. **Avoid Legal Problems:** In the quest of profit, a company's management may be inclined to cut corners, such as not completely complying with environmental standards or labor laws, ignoring worker safety measures, or utilizing inferior materials in their products. The consequences of being caught can be significant, including legal expenditures as well as fines or sanctions imposed by government bodies. Even more expensive than legal bills or fines are the potential long-term harm to the company's reputation that could arise from the negative publicity that follows.

1.4 THEORETICAL APPROACHES TO BUSINESS ETHICS

Broadly there are two main theoretical approaches to business ethics, the traditional theories, and the normative theories. Let us now try to understand in depth about these theories.

1.4.1 Traditional Theories of Business Ethics:

a. **Utilitarianism**: According to this point of view, actions that benefit the most people while causing the least harm are considered ethical. The emphasis is on providing the best overall utility and value. However, utilitarianism is criticized for potentially overlooking the interests of individuals and minority groups in favour of doing the most-good for the greatest number. It also gives no clear guidance on how to evaluate the interests of other organizations. Utilitarianism can sometimes encourage unethical shortcuts that result in the greatest aggregate benefit.

b. **Rights-Based Ethics**: This viewpoint contends that enterprises must respect the basic human rights and dignity of all stakeholders, particularly employees. Businesses must respect workers' rights to fair treatment, safe working conditions, proper remuneration, and privacy. The emphasis is on fundamental rights. However, some contend that it is uncertain if corporations have moral commitments in addition to economic and legal requirements. Rights-based ethics also provides a hazy framework because it does not consider the interests of stakeholders other than rights holders.

c. **Justice and Fairness**: Firms should properly divide costs, rewards, opportunities, and risks across all stakeholder groups based on their claims and merits. Employees should be compensated and empowered based on their performance and merit, not on factors such as nepotism or bias. The emphasis is on reasonable and equitable procedures and outcomes. However, detractors point out that other definitions of justice exist, and it is unclear which feeds the best framework for business ethics. There are also disagreements over which stakeholders in distributional justice deserve to be respected.

d. **Virtue Ethics**: Businesses should foster moral traits such as honesty, integrity, caring, and trustworthiness among their personnel. Having a virtuous disposition leads to ethical decisions. The emphasis is on developing moral character. However, some say that it is unclear how corporations, as opposed to people, may develop virtues. There is some disagreement on which virtues are most relevant and valuable in business. In addition, virtue ethics provides little assistance on specific judgements and policies.

1.4.2 Normative Theories of Business Ethics:

a. **Stakeholder Theory**: The entities affected by business decisions have moral claims (stakeholders). The firms have moral duties towards many stakeholders, such as consumers, employees, community, environment, suppliers, etc. The decisions taken in the business should consider that the interests of all relevant stakeholder groups are taken into consideration. This theory provides a comprehensive framework for integrating insights from several ethical theories.

b. **Social Contract Theory**: Businesses function with the approval of society and in accordance with its regulations. In exchange, corporations must operate in the best interests of society. The moral and legal constraints within which businesses must operate are defined by society, and enterprises exist to serve the common good rather than to maximize profits.

   I. **Universal Principles**: Universality and consistency should influence ethical decisions. The organizations should adhere to the same principles that they would want all firms to adhere to in similar situations. It emphasizes ethical values such as justice, dignity, human rights, and welfare, as well as providing an objective norm for corporate ethics that is not based on self-interest.

   II. **Common Good Theory**: The basic goal of enterprises is to benefit society. Human flourishing, well-being, and societal progress should be promoted by businesses. Decisions should contribute to the overall well-being of society while maintaining human dignity.

Check Your Progress A

1. What is meant by business ethics?
2. List any four features of business ethics.
3. Explain virtue ethics.
4. Which of the following statements are **True** or **False**?
   (i) Ethics involves excellent character and morality.
   (ii) For all types of businesses, ethics are same.
   (iii) Common good theory aims to benefit society.
   (iv) Positive work environment helps the workers only.
   (v) Managers should not try to cut corners to enhance profits.

1.5 ESSENTIAL ELEMENTS OF BUSINESS ETHICS

There are several elements that help us understand business ethics:

1. **Ethical Leadership**: The ethical culture of an organization is shaped by its ethical leadership. They provide an exemplary instance for others to follow by acting with justice, honesty, and integrity.

2. **Corporate Values**: Companies establish a set of core values that outline their moral principles and direct decision-making. These principles could include social responsibility, honesty, openness, and respect.

3. **Code of Conduct**: A written code of conduct or ethics policy that specifies acceptable conduct and moral guidelines for stakeholders and workers is developed by many businesses. This code functions as a point of reference for ethical judgement.

4. **Compliance and Legal Standards**: Following legal and regulatory requirements is a cornerstone of corporate ethics. Businesses need to make sure that all local, federal, and international laws and regulations are followed in their operations.

5. **Stakeholder Consideration**: The interests and well-being of all stakeholders, including employees, customers, suppliers, investors, and the broader community form an integral part of ethical standards followed by businesses.

6. **Transparency**: Building trust and accountability requires openness and transparency in financial reporting, corporate operations, and communication. A fundamental component of business ethics is truthful and accurate reporting.

7. **Fair Treatment**: One of the main principles of business ethics is to treat individuals and groups fairly and without discrimination. This is applicable in all the spheres of functions including hiring, promotion, compensation, and customer interactions.

8. **Social Responsibility**: Companies are under more and more pressure to act responsibly towards society and the environment. Initiatives to address social and environmental challenges are referred to as corporate social responsibility (CSR).

9. **Environmental Responsibility**: Businesses are required to reduce their negative environmental impacts, implement sustainable practices, and support environmental conservation.

10. **Measuring Results**: Precisely gauging the results of an ethics program poses challenges. Consequently, organizations adopting ethics programs may scrutinize and audit the final outcomes to verify that employees conduct their work in alignment with ethical norms. Following the audit, top-level management and other personnel can deliberate on the findings to determine the subsequent course of action.

11. **Top Management Commitment**: The pivotal role of an organization's top management in ensuring corporate ethics cannot be overstated. They steer the ethical conduct of the entire organization, and for optimal results and the cultivation of ethical behaviors among employees, the CEO and other top-level managers

must wholeheartedly commit to ethical practices. Their adherence to the ethical code of conduct serves as a model for employees, fostering motivation among the workforce to follow suit. Their leadership should inspire ongoing development and the upholding of the company's ideals.

12. **Publication of a Code of Conduct**: Companies with robust ethical frameworks articulate the principles of conduct for the entire organization in written form. This written compilation of ethical principles is commonly referred to as a "code." The code of conduct addresses diverse issues such as product quality, safety, honesty, legal compliance, financial reporting, marketing practices, employment policies, workplace health, and safety, among others. These principles or standards function as a guide for the organization's actions.

13. **Establishment of Compliance Mechanisms**: Merely publishing a code of conduct is insufficient; organizations must establish mechanisms to ensure employees adhere to it, and the firm's actions align with these standards. This may involve assessing values and ethics during the recruitment process, creating communication channels for employees to report unethical behavior, and similar measures.

14. **Involving Employees at all Levels**: Employees play a pivotal role in translating ethical standards into practice within the organization. Therefore, it is imperative for organizations to engage employees in ethical programs. For instance, a company may form a small group of employees to discuss the organization's core ethical principles and gather feedback on employees' perceptions of these policies.

1.6 ETHICS IN RETAIL

With the passage of time, business ethics has emerged as an important area of study, with very wide scope and challenge in the business world. It has implications in all the functional areas of management including retailing. Retailers try to maximize revenues by providing customer satisfaction through ethical means. Ethical order ensures an organization's sense of order and justice, and specific rules and regulations govern the retail industry. Corporate Social Responsibility (CSR) is related with the ethical expression of doing business, and this concept is critical in retailing. Customers have direct interphase with retailers; hence it is vital that retailers behave ethically because they have a major impact on many people's lives. Ethical practices are not just a retailer's moral obligation, but they are also vital to the retail industry.Ethics is important for retail due to the following reasons

1. **Image Building in the Society**: People in general prefer to associate with organizations that have a positive reputation in society**.** Take the example of Microsoft Corporation, the IT multinational giant**.** It is

famous across the globe for its CSR and philanthropy. They are committed towards empowering people in all the organizations. Their firm belief in four dimensions,i.e. expand opportunity, earn trust, protect fundamental rights, and expand sustainability makes them one of the leading organizations in the world, with a positive image amongst people irrespective of the country they belong to.

2. **Satisfaction of Needs of the People**: Ethics is essential for customer retention. It is also important for people management in terms of enhancing employee satisfaction and improving their sense of belonging towards the organization. All the stakeholders,specially, consumers and employees, align with the company which conducts business with honesty and follows the rules and regulations. Besides, organizations complying with the norms and regulations have greater acceptability in the society. Therefore, following ethical practices are important for sustained customer retention and employee loyalty.

3. **Role of Ethics in Decision Making**: In everyday life, retailers must make critical decisions for the organization's success. When an organization believes in ethical practices, it makes decisions that benefit the organization, its employees, and its customers. In the absence of ethical practices, a store can make decisions that might be unethical and irrational. For example, an organization that does not adhere to ethical practices may make decisions to face competition which might be detrimental for its growth and development in the long run.

4. **Acts as a Binding Force for the People**: Employees admire and appreciate organizations whose actions are guided by ethical standards. An ethical organization will consider not only its own interests, but also the interests of its employees and consumers. It results in the creation of a healthy harmonious relationship between the employees and the employer. A healthy relationship is critical to the organization's success. A satisfied employee will never deceive his organization and will continually make efforts to ensure its success.

5. **Improved Society and Better Quality of Life:** If everyone adopts ethical practices, the society will be a better place to live. A society in which everyone is concerned with themselves and are selfish and self-centered, will not thrive and grow. There will always be differences between people. However, we all know that no two persons are alike. There will always be people who engage in unethical behaviors, and it is then that ethical laws take effect and limit such behaviors.

6. **Sustained Profits:** Organizations adopting ethical practice are known to have sustained profits and repute not only in the business environment but also in the society. It looks after the well-being of its employees, customers, and the society. On the contrary, organizations using unethical methods might accrue short term benefits but in the long run,

will not remain profitable and will encounter several problems which might ultimately lead to losses by the company.

For example, Tata Group adheres to its mission and uses ethical practices. Many of Tata Group's competitors are publicly traded companies, but Tata is a family business that has developed into a large multinational conglomerate. Its success is built on basic beliefs and an unbeatable business approach. In simple words, it can be said that ethics shows the path of right doing to the organization and let it make decisions which are both in favor of its employees as well as customers.

Areas of Ethics in the Retail:

1. **Implementation of Laws, Rules, and Regulations:**Each country has a well-defined set of company laws, rules, and regulations such as employee welfare acts, industrial relations laws, right protection laws, company laws, etc. related to the retail sector. These laws, enactments, rules, and regulations are implemented from time to time depending on the environmental circumstances. The companies are supposed to follow these rules and regulations and ensure their proper implementation on a day-to-day basis.

2. **Protect the Interests and Rights of Customers:**The first and most important task of an organization and its employees is to defend the rights and interests of the consumers, and they are responsible for ensuring the safety and security of the customers. An organization cannot engage in unethical behavior by infringing on the rights of consumers to make profit. Deceptive advertising, sharing incorrect information with customers, misbehavior with customers, invading customers' privacy, lack of quality control of the products sold by the organization, questionable pricing policies, and other actions violate customers' rights and interests.

3. **Mismatch of Interests**: A conflict of interest develops when an individual's personal interests do not align with the interests of the organization. Employees must follow the organization's laws and norms, and retailer must always take steps that are in the best interests of their employees.

4. **Integrity:**Employees working in an organization have access to files, data, and details about customers, vendors, and other stakeholders. Often such data, files or details which are confidential for the organization and are supposed to be preserved with caution, get leaked to outside individuals or groups or organizations. These are then misused which leads to breach of trust and confidentiality. This is a common instance of unethical practice in retail business.

5. **Receiving Gifts in Return for Favor**: Employees are typically asked not to accept any gifts or favours from those outside the organization. People send gifts to employees to take advantage of the employee's

position, and if employees accept valuable gifts, they may feel obligated to repay the favour**.** This might result in conflicts within the organization**.**

1.7 ADVANTAGES OF BUSINESS ETHICS

As we all know, business ethics encompasses the values and standards that influence businesses' and their workers' decisions and behavior. Business ethics are critical to the smooth operation of any organization. They build an upbeat portrayal of the company in the public eye, encourage impartiality and integrity in the business environment, and make certain that everyone involved has a fair chance to benefit from the company's actions.

1. **Builds Trust and Loyalty:** The most significant benefit of business ethics is that it fosters confidence and allegiance among customers, vendors, and other stakeholders. Customers are more inclined to trust a company if they know it works ethically and with their best interests in mind. Suppliers are more willing to deal with a company that is thought to be ethical. This confidence can lead to improved consumer and supplier connections, as well as more successful company relationships.

2. **Favorable Organization Culture:** Business ethics also contributes to an organizational culture of justice and respect. When employees believe that their employer is committed to ethical practices, they are more likely to be inspired and productive. Business ethics can also help to prevent unethical behavior such as corruption, embezzlement, and fraud by creating an ethical atmosphere.

3. **Fosters Corporate Social Responsibility:** Business ethics can also aid in environmental protection and social responsibility. Companies that follow ethical business practices are more likely to examine the ecological impact of their decisions and take steps to guarantee that their operations are long-term. Companies can also help to lower their carbon footprint and contribute to a healthy environment by supporting ethical business practices.

4. **Improves Public Image of the Company:** Corporate ethics can aid in the enhancement of the image of a business in the marketplace. Customers are more inclined to buy items or services from a firm that is thought to be ethical and responsible. Furthermore, ethical practices can assist in attracting and keeping talented employees, who are more likely to continue working with an ethical organization.

5. **Boosts Employee's Morale:** Business ethics ensures implementation and maintenance of rules in the organization along with ensuring respect for the workforce.This leads to creation of conducive work environment and positively motivated employees.

6. **Better Financial Status of the Company:** Finally, corporate ethics can aid in the financial performance of a corporation. Companies that follow

ethical business practices have a greater probability to be successful economically since their consumers and suppliers are more willing to deal with them. Furthermore, ethical practices can assist attract investors because they are more willing to invest in a firm that is seen as responsible and trustworthy.

Finally, corporate ethics are critical to the smooth operation of any organization. They increase consumer and supplier trust and loyalty, establish an atmosphere of equality and dignity within the organization, safeguard the planet and foster social responsibility, boost company's public reputation, and boost its financial performance. Companies can assure their profitability and longevity by embracing ethical business practices.

1.8 STAKEHOLDERS' PERSPECTIVES OF BUSINESS ETHICS

Every individual is affected by ethics, from entrepreneurs, company executives, and personnel to suppliers, consumers, and competitors**.** The study and practice of ethics helps us acquire abilities in articulating our own values as well as techniques for evaluating the values and behaviors of others—all of which influences how we as individuals form connections and interact with others**.** The same is true for a business**.** Better interactions with individuals both within and outside the organization result from a more ethical workplace**.** And better interactions result in better outcomes**.** As a result, ethics is closely related to stakeholders of the organization**.** These include**:**

1. Ethical Practice Towards Employees

An organization should not just adopt ethical practices about its customers, but also about its staff. A huge number of retail staff members operate at various levels in a retail store. If employees are mistreated in the organization, they will speak negatively about it in the presence of others, creating a negative image of the organization in the minds of the general public. Furthermore, this will result in low output, low staff motivation, low profit, and elevated labor turnover, among other things.

2. Vendors

Organizations work together with their suppliers and merchants. A provider is an organization that provides parts or services to another organization. Ethical providers give excellent products and strive for long-term production. A wholesaler is a company that sells and transports products to retail stores or acts as a middleman in business. Providers expect to be compensated fairly and promptly for their information sources, while merchants expect to acquire amazing things at agreed-upon prices. The terms of legal contracts constitute the most important difficulties related to instalments or the attributes of items, though numerous other issues depend on corporate ethics.

3. **Consumers**

The merchant should charge a reasonable price for the goods they sell to customers. Customers have an entitlement to accurate and correct information about the products supplied to them. They should be informed about all aspects of the product, such as guarantee, warranty, usage, ingredient, and pricing, among others. They should not sell low-quality goods to the customers.

4. **Ethical Practice Towards Shareholders and Investors of a Company**

Investors' investments enable businesses to get established. The financiers and shareholders are also the owners of the business. As a result, it is the company's responsibility to provide appropriate returns to their investors at regular intervals. It is an organization's ethical responsibility to inform its investors about the organization's accurate financial situation. It should conduct business in such a way that it benefits both the organization and its owners and investors. If an organization fails to achieve this, it may permanently lose the trust of its investors, which is not in the interest of the organization.

5. **Government**

It is also the responsibility of the company to abide by the rules and regulations laid down by the government. Government is an important stakeholder in the system. While the government lays out the norms and acts for regulation of the operations of the company, the company in turn follows them for ensuring a certain responsibility towards the nation. These laws and acts prevent the organization from following unethical practices. The organization at the same time contributes to the wellbeing of the nation by way of paying the mandatory duties and taxes.

1.9 CODE OF CONDUCT

Codes of conduct have evolved over the years, most notably from a set of rules, i.e. what can be done and cannot be done to a set of values-based principles.Codes of conduct are no longer written in the pages of incomprehensible material, legalistic terminology, and business jargon. These have been replaced by clear, understandable standards of conduct that employees can use as guidance to assist them make ethical decisions and act accordingly. The elements of an effective code of conduct are as follows:

1. Message needs to be sent from the top leadership.
2. Company values and mission need to be interwoven within and linked with the code of conduct.
3. Applicable to all the employees including the top management.

4. Need to mention the consequences of non-compliance in the code.

5. Provision of channels and methods of seeking advice and raising concerns in case of non-compliance.

6. Provide clearcut value based behavioral guidelines and compliance measures.

7. Reinforce with live situations and cases for better understanding and adaptation.

8. Easily comprehensible and used.

9. Needs to be visually attractive and easy to understand.

1.10 CHALLENGES AND IMPLEMENTATION

Ethical issues develop at every stage of the business process. The environment has a significant impact on the implementation of corporate ethics. Let us look at how the outside world and different stages of business affect the application of business ethics.

1. **Aligning Talk about Ethics with Action:** The major difficulty is that leaders occasionally preach about ethics but do not necessarily live their own lives according to the same rhetoric. To create really ethical organisations, the two must be aligned.

2. **Building Trust within the Organization:** Building trust throughout your organization is the first step towards building trust with shareholders and customers. Employees are more likely to follow the guidelines when the rules are equitable and the expectations are acceptable. When mistakes occur—and they will—constructive assistance rather than punitive measures keep employees from becoming reclusive or going above and beyond to cover up their transgressions.

3. **Expanding Leadership's Awareness:** The range of systems and delicate understanding that leaders possess influences their ethical decision-making ability. Take time to think it over, have someone to turn to who can question your views, and establish a strong and diversified personal network to consciously extend this breadth. Pay attention to what matters in your organization and encourage others to speak up.

4. **Knowing your Specific Organizational Core Values:** Know what you believe and discuss them with your staff to see how they are reflected in the organization. When you are genuinely aiming to strive for perfection in an ethical issue, stakeholders will notice.

5. **Aligning Incentives to Drive both Financial and Customer-first Outcomes:** The tension between shareholders and stakeholders—the

emphasis on objectives and important results that would drive the achievement of financial measurements, or measures that lead to financial measures, and a focus on customer-first outcomes—is difficult to resolve. Beyond the surface, ethics is often driven by mismatched incentives which fuel a desire for progress, power, and, in some cases, greed. Focus should be on how the employees are motivated.

6. **Integrating and Sharing Expectations:** Too often, businesses fail to make ethics tangible and quantifiable. They are frequently underutilized aspirations that become ignored material. Integrating and sharing ethical expectations on a regular basis in all organizational departments and activities is critical to ensure commitment, productive conversation, and accountability, as well as controlling behaviors that indicate excellence in generating business goals.

7. **Facilitating Timely Reporting of Concerns:** To excel ethically, a company must have a procedure established for staff at all positions to safely report occurrences and concerns. If staff lack understanding or confidence in this area, management may not be aware of problems until their integrity has been jeopardized. Timely reporting will allow leaders to make sound ethical decisions, plans, and pronouncements.

8. **Balancing and Measuring Priorities for Growth Versus Health:** The difficulty for businesses to excel ethically is to balance and measure priorities in terms of company development and results vs organizational well-being and character, which are based on ethics and values. Unlike the former, the latter lacks distinct metrics. To address this, leaders may set a good example by demonstrating and supporting transparency and communication. As a result, include both favorable and adverse ethical scoring in overall awards.

9. **Aligning Market Offerings and Ethical Intentions:** A significant problem for ethically conscious businesses is ensuring that their commercial offerings and ethical aims do not contradict each other. Profit margins and ethical principles may coexist! Their organizational leaders' performance should be linked to ethical tactics and behaviors that are quantifiable and provide tangible value to their consumers.

Check your progress B

1. List any four essential elements of business ethics.

2. How does business ethics help in building up good image of the company?

3. Why are the employees asked not to accept the gifts?

4. Who are the stakeholders in a business enterprise?

5. Which of the following statements are **True** or **False**?

   i) Following legal and regulatory requirements is a cornerstone of corporate ethics.

   ii) The ethical practices benefit the organization, its employees, and its customers.

   iii) Following business ethics downs morale of the employees.

   iv) The leaders occasionally preach about ethics but do not necessarily live their own lives according to the same rhetoric.

   v) Companies should look after the interests of the shareholders only.

1.11 LET US SUMUP

To sum up, it can be stated that business ethics have a very important place in any organization. They are a set of formally written norms, rules, regulations, and codes that spell out what and how things are to be carried out in the organization. These rules include ethical practices to be observed in managing routine day-to-day activities and with all the stakeholders, namely, other similar companies, suppliers, vendors, consumers, employees, government, and business environment. Additionally, it must abstain from adulteration, deceptive advertising, and other unfair business practices. They act as a fundamental framework based on moral and social values to protect stakeholders. It is everyone's responsibility in the organization to participate in enforcing the ethics and abide by them. However, their proper implementation requires adequate training and sensitization so that all concerned become aware of what is expected of them and how they should behave while in the organization.

There are several challenges that are faced by the organizational leadership in ensuring the sustained implementation of the ethical methods across the company. It must be applicable at all the levels to be complied with fully.

1.12 KEY WORDS

Stakeholders : Persons or groups whose interests are associated with an enterprise.

Contentious Topics : The issues that may create controversy.

Environment : Theaggregateof certain conditions and influences that makes a particular activity, such as business favorable or unfavorable.

Discipline : The field of a particular activity, such as business.

Framework	:	A basic structure, plan, or system, as of concepts, values, customs, or rules.
Sensitization	:	The process of becoming adapted to a particular set of rules.
Loyalty	:	An act of being adherent to a certain system
Utilitarianism	:	The ethical doctrine that virtue is based on utility, and that conduct should be directed toward promoting the greatest happiness of the greatest number of persons.
Transparency	:	The act of not hiding the facts or way of doing the things.
Fair Treatment	:	The act of doing the things without any bias, dishonesty, or injustice.
Compliance Mechanism	:	A system to monitor whether prescribed rules have been followed or not.
Sustained	:	Continuous efforts.
Integrity	:	Following moral and ethical principles

1.13 ANSWERS TO CHECK YOUR PROGRESS

A 5. (i) True; (ii) False; (iii) True; (iv) False; (v) True

B5. (i) True; (ii) True; (iii) False; (iv) True; (v) False

1.14 TERMINAL QUESTIONS

1. Define business ethics?
2. What are the principles of business ethics?
3. Enlist the challenges faced by an organization in implementing business ethics?
4. What are the advantages of implementing business ethics in an organization?
5. Name the traditional theories of business ethics? Explain any two of them.
6. Discuss challenges in implementation of business ethics.
7. What is meant by code of conduct ? List the elements of effective code of conduct.
8. What is meant by stakeholders? Discuss stakeholders' perspective of business ethics.

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