

Business Ethics

What Is Business Ethics?

People often automatically assume that businesses are unethical. Business seems to be constantly linked to scandals. The company culture helps determine the ethics of the organization. It is crucial that businesses behave ethically in every working relationship.

Ethical Obligations:

- **Employees:** Companies need to treat all of their employees ethically. Begin by providing employees with the rights guaranteed to them by the United States Department of Labor. Ethical businesses, however, may go beyond the minimum requirements in the way that they treat their employees.
- **Shareholders and investors:** There is a moral obligation to pay back investors and meet the needs of shareholders, particularly low level shareholders.
- **Customers:** Every business needs to build ethical customer relationships by providing safe products and honoring warranties. Consumers are growing more aware of which companies treat them fairly, and they will support the ones they trust.
- **Community:** Businesses have an ethical obligation to be involved in their local communities. This includes communities where they interact with customers and beyond.
- **Vendors and Other Companies:** Always deal ethically with vendors and other organizations you work with.

Benefits

We discussed the top 10 benefits of managing ethics in the previous module. Implementing ethics in the workplace will also lead to better profits and long-term growth. Unethical business practices can cause immediate financial gain, but they will cost companies customers and employees over time. When unethical practices become public knowledge, it is difficult for a business to recover its reputation. Organizations with reputations for being ethical will also find it easier to earn credit, find investors, and expand into international markets. There are also benefits at the organizational level.

Organizational Benefits:

- Convinces employees that the company truly values ethical decision-making.
- Builds awareness of ethical issues.
- Creates an ethical guideline for employees to follow.

Business Ethics

Identifying Types of Responsibilities

There are different types of responsibilities related to businesses. Ethical organizations need to cover different areas of responsibility and consider the social ramifications of their actions.

Types:

- **Legal:** Socially responsible companies are obligated to meet legal requirements that govern their industries. Health and safety standards and fair treatment of employees fall under this type of responsibility.
- **Financial:** Financial responsibility is more than turning a profit. Financial ethics cover everything from fair salaries to fair payments for raw materials and services as well as not price gouging customers.
- **Philanthropic:** Many organizations are being recognized for their philanthropy. Philanthropy can come from donations, service, education, and environmental programs. Some companies consider the environment its own type of social responsibility.

Making Ethical Decisions

Before making any final decisions, use the following steps to make sure that you are making ethical decisions.

- **Determine the ethics of a situation:** Does the decision affect a group or have legal ramifications?
- **Gather Information:** Learn as much as possible about the situation, and get the point of view from all parties involved.
- **Evaluate Actions:** Make different decisions based on the different ethical standards.
- **Test Decisions:** Would you be proud of this decision if it were advertised?
- **Implement:** Implement the decision, and evaluate the results.