

Value & Ethics in Business

(Part II of Professionalism in Business)

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A Basic Understanding

Values and ethics in simple words mean principle or code of conduct that govern transactions; in this case business transaction. These ethics are meant to analyze problems that come up in day to day course of business operations.

Apart from this, it also applies to individuals who work in organizations, their conduct & to the organizations as a whole.

We live in an era of cut throat competition. Business houses with deeper pockets crush small operators and markets are monopolized. In such a scenario certain standards are required to govern how organizations go about their business operations, these standards are called ethics.

Business ethics is a wider term that includes many other sub ethics that are relevant to the respective field. For example there is marketing ethics for marketing, ethics in HR for HRD, and the like. Business ethics in itself is a part of applied ethics; the latter takes care of ethical questions in the technical, social, legal and business ethics.

Origin of Business Ethics (1)

When we trace the origin of business ethics we start with a period where profit maximization was seen as the only purpose of existence for a business. There was no consideration whatsoever for non-economic values, be it the people who worked with organizations or the society that allowed the business to flourish.

It was only in late 1980's and 1990's that both intelligentsia and the academics as well as the corporate began to show interest in the same. Nowadays almost all organizations lay due emphasis on their responsibilities towards the society and the nature and they call it by different names like Corporate Social Responsibility, Corporate Governance, or Social Responsibility Charter.

In India, Maruti Suzuki, for example, owned the responsibility of maintain a large number of parks and ensuring greenery. Globally also many corporations have bred philanthropists who have contributed compassion, love for poor and unprivileged. Bill Gates of Microsoft and Warren Buffet of Berkshire Hathaway are known for their philanthropic contributions across globe.

Origin of Business Ethics (2)

Many organizations, for example, IBM as part of their CSR have taken up the initiative of going green, towards contributing to environmental protection. It is not that business did not function before the advent of business ethics; but there is a regulation of kinds now that ensures business and organizations contribute to the society and its well being.

Nowadays business ethics determines the fundamental purpose of existence of a company in many organizations. There is an ensuing battle between various groups, for example between those who consider profit or share holder wealth maximization as the main aim of the company and those who consider value creation as main purpose of the organization.

The former argue that if an organizations main objective is to increase the shareholders wealth, then considering the rights or interests of any other group is unethical. The latter, similarly argue that profit maximization cannot be at the expense of the environment and other groups in the society that contribute to the well being of the business.

Nevertheless business ethics continues to a debatable topic. Many argue that lots of organizations use it to seek competitive advantage and creating a fair image in the eyes of consumers and other stakeholders. There are advantages also like transparency and accountability.

IMPORTANCE OF ETHICS

Of course all of us want businesses to be fair, clean and beneficial to the society. For that to happen, organizations need to abide by ethics or rule of law, engage themselves in fair practices and competition; all of which will benefit the consumer, the society and organization.

Primarily it is the individual, the consumer, the employee or the human social unit of the society who benefits from ethics. In addition ethics is important because of the following:

Satisfying Basic Human Needs

Creating Credibility

Uniting People and Leadership

Improving Decision Making

Long Term Gains

Securing the Society

ETHICS TRIES TO CREATE A SENSE OF RIGHT AND WRONG IN THE ORGANIZATIONS AND OFTEN WHEN THE LAW FAILS, IT IS THE ETHICS THAT MAY STOP ORGANIZATIONS FROM HARMING THE SOCIETY OR ENVIRONMENT.

Source of Business Ethics

Ethics in general refers to a system of good and bad, moral and immoral, fair and unfair. It is a code of conduct that is supposed to align behaviors within an organization and the social framework. But the question that remains is, where and when did business ethics come into being?

Primarily ethics in business is affected by three sources - culture, religion and laws of the state. It is for this reason we do not have uniform or completely similar standards across the globe. These three factors exert influences to varying degrees on humans which ultimately get reflected in the ethics of the organization.

Religion

Religion wields varying influences across various sects of people.

Those who are referred to as orthodox or fundamentalists and those who are called as moderates.

Needless to mention, religion exerts itself to a greater degree among the orthodox and to lesser extent in case of moderates.

Culture

Culture is a pattern of behaviors and values that are transferred from one generation to another, those that are considered as ideal or within the acceptable limits.

No wonder therefore that it is the culture that predominantly determines what is wrong and what is right. It is the culture that defines certain behavior as acceptable and others as unacceptable.

Law

Laws are procedures and code of conduct that are laid down by the legal system of the state. They are meant to guide human behavior within the social fabric.

The major problem with the law is that all the ethical expectations cannot be covered by the law and specially with ever changing outer environment the law keeps on changing but often fails to keep pace.