Business Ethics: Definition, Components, Types and its Importance: A Review

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Abstract

Importance of ethics in the business world is superlative and global. New trends and Issues arise on a daily basis which may create an important burden to organizations and end consumers. Nowadays, the need for proper ethical behaviour within organizations has become Crucial to avoid possible lawsuits. The public scandals of corporate malfeasance and misleading practices, have affected the public perception of many organizations. It is widely known that advertising does not promote the advancement of human moral sensibility. Lasch's contention that modern advertising "Seeks to create needs, not to fulfil them: to generate new anxieties instead of allaying old ones. The recent expansion of global business and fall of trade barriers worldwide have further Underlined the interest in the topics of ethical behaviour and social responsibility. In addition, as many scholars believe, human rights and environmental conservation are gaining increasing more recognition in both academic and commercial settings.

Keywords: business, world, behaviour, organizations etc.

Introduction

Business ethics is the study of appropriate business policies and practices regarding potentially controversial subjects including corporate governance, insider trading, bribery, discrimination, corporate social responsibility, and fiduciary responsibilities. The law often guides business ethics, but at other times business ethics provide a basic guideline that businesses can choose to follow to gain public approval.

Business ethics ensure that a certain basic level of trust exists between consumers and various forms of market participants with businesses. For example, a portfolio manager must give the same consideration to the portfolios of family members and small individual investors. These kinds of practices ensure the public receives fair treatment.

The concept of business ethics began in the 1960s as corporations became more aware of a rising consumer-based society that showed concerns regarding the environment, social causes, and corporate responsibility. The increased focus on so-called social issues was a hallmark of the decade.

Since that time period, the concept of business ethics has evolved. Business ethics goes beyond just a moral code of right and wrong; it attempts to reconcile what companies must do legally versus maintaining a competitive advantage over other businesses. Firms display business ethics in several ways.

Key Components of a Business Ethics Management:

While they may be countless, but following below key components would result in the strong foundation of an organizational ethics:

- Living by the five core values of ethics. i.e.. Trustworthiness, Respect, Responsibility, Fairness and Caring.
- An executive culture with common importance for its members.
- Fight for achieving the satisfaction of all parties included in the company: shareholders, directors, employees, suppliers, and customers.
- Taking social responsibility for their actions.
- Outweighs the moral contract between the company and its members and partners rather than a legal contract.

Common Types of Business Ethics and Values:

Below listed are some of the common important types of ethics in business. It is clear that ethical business behaviour is not the panacea for all problems, and leads one hundred percent to the growth and prosperity, but when following unethical behaviour it can cause problems to a company, both internally and externally. Impact of ethics on business directly reflects into earnings and profits of the company or an organization.

- Equality
- Respect
- Freedom
- Dialogue
- Solidarity

Sources of Business Ethic:

In every society there are three sources of business ethics-Religion, Culture and Law. The HR manager in every organisation, thus, has to be well versed with the unique system of values developed by these three sources.

These sources are discussed as follows:

1. Religion:

Religion is the oldest source of Religion is the oldest source of ethical inspiration. There are more than ethical inspirations. 1, 00,000 religions which exist across the whole world, but all of them are in agreement on the fundamental principles. Every religion gives an expression of what is wrong and right in business and other walks of life. The Principle of reciprocity towards one's fellow beings is found in all the religions. Great religions preach the necessity for an orderly social system and emphasize upon social responsibility with an objective to contribute to the general welfare. With these fundamentals, every religion creates its own code of conduct.

2. Culture:

Culture is the set of important understandings that members of a community share in common. It consists of a basic set of values, ideas, perceptions, preferences, concept of morality, code of conduct etc. which creates distinctiveness among human groups. When we talk about culture we typically refer to the pattern of development reflected in a society's pattern of knowledge, ideology, values, laws, social norms and day to day rituals. Depending upon the pattern and stage of development, culture differs from society to society. Moreover culture is passed from generation to generation. Culture facilitates the generation of commitment to something larger than one's individual self interest.

Culture encourages the members of the organisation to give priority to organizational goals over and above their personal interests. Culture also serves as a sense making and control mechanism that guides and shapes the attitudes and behaviour of people. Managers have to run an industrial enterprise on the cutting edge of cultural experience. The tension that their actions create makes the business ethically more complex.

3. Law:

The legal system of any country, guide the human behaviour in the society. Whatever, ethics the law defines are binding on the society. The society expects the business to abide by the law. Although it is expected that every business should be law abiding, seldom do the businesses adhere to the rules and regulations. Law breaking in business is common eg. Tax evasion, hoarding, adulteration, poor quality & high priced products, environment pollution etc.

Importance of Ethics in Business:

Here, I am explaining the important reasons why an organizational ethic becomes necessary to have been highlighted by studies of corporate improvement in the time of multitude. Business ethics is that pressure on companies and circumstances which lead them to adopt global and proactive responses. Large organizations today are subject to traditional demands that we call 'internal agents' as workers and shareholders are transformed. Applying business ethics is pressed to the organizations from internal and external forces because they have great influence on the lives of many people and a great capacity for effective power in a globalized world. Multinational organizations often have more influence, capacity, and power to the States.

That they are the object of the pressures and demands of those who feel in some way affected or erected in spokespersons for those affected by their activities or the consequences thereof. Responsible for consequences because they often can prevent certain results or, if it has already happened, repair them. And for profit making companies the consequences of primary benefit could result in others growth.

That an organization must take responsibility for their actions is not new. In developed countries, there is legislation detailed in civil, criminal, labour, administrative, commercial, which specifies responsibilities of individuals and corporations. In developed countries, there are also sufficiently reliable court systems seeking to impose legal responsibilities when necessary. What is new is the social conscience of corporate responsibilities that should be effective even when the law fails to impose it. For example, when concerning acts performed outside the borders of the country of nationality of the corporation, when no law protects the affected property or when the procedure of judicial service is so slow it is useless. In these cases, and many bulls, external and internal agents pressure directly to the organization, to extend their responsive actions, to the margin of whether they have or not a legal obligation to do so. These pressures, which in anyway imply recognition of the powerless state against the organizations, can lead, when they accumulate, which we can call moral bankruptcy of these same organizations. At one point, an organization that has neglected their responsibilities can be found before a bankruptcy of this kind, which leads to an accounting bankruptcy and ending by eroding the confidence of consumers, governments, and financial markets. Organizations with a strong ethical culture are characterized by anticipating these demands assuming their responsibilities until they are raised as complaints, or before the damage is done. This is what we can call a proactive attitude, to distinguish it.

Improve Business Ethics as a Skill

One of the most important aspects of long-term success of a firm, without any regard to its size, profitability, or industry, is business ethics. Therefore, you may find the following tips helpful in improving your business ethics skills:

- **Read about it:** Try to read at least one book every year, not only about the philosophy of ethics but also some good stories about how people dealt with various kinds of ethical issues. Such biographies and historical nonfictions will most likely be retained by you for life. Also, they will help you learn, from the experience of others, to make the most difficult judgment of what is right and what is not.

- **Be a part of some peer group:** Whether you prefer it within your industry or outside, find yourself a peer group where you can openly discuss ethical issues without the fear of being judged by others. Such peer groups also make available some valuable feedback by giving worthwhile insights into the perceptions, expectations, as well as the experiences of others.

- **Become a role model through your actions:** You must show your moral standards and honesty through your actions at all times. As a result, your coworkers and subordinates will look up to you,

and try to adopt the same practices as yours. Instead of being appreciated or rewarded by your boss, being recognized as an inspiration for your coworkers will serve as a greater source of motivation for you to maintain that reputation.

Conclusion

Business is a human activity and, like most human activities, it has been and is likely to continue to be evaluated from a moral point of view (Robin and Reidenbach, 1987). Branding, as part of business, is no exception. Business ethics in organizations requires values-based leadership from top management, purposeful actions that include planning and implementation of standards of appropriate conduct, as well as openness and continuous effort to improve the organization's ethical performance. Although personal values are important in ethical decision making, they are just one of the components that guide the decisions, actions, and policies of organizations. Examination of the recent development in the international trade and the far-reaching expansion of global entities lead the authors of this paper to the inevitable conclusion that ethical issues and concerns facing business entities are no longer related to the limited frameworks of Journal of Academic and Business Ethics International Business Ethics, national or even regional arenas. These issues have assumed global dimensions and as such require global solutions.

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