

SIGNIFICANCE OF ETHICS IN BUSINESS MANAGEMENT

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Abstract:

In business, ethics can be defined as the ability and willingness to reflect on values in the course of the organization's decision-making process, to determine how values and decisions affect the various stakeholder groups, and to establish how managers can use these precepts in day-to-day company operations.

The importance of business ethics reaches far beyond employee loyalty and morale or the strength of a management team bond. As with all business initiatives, the ethical operation of a company is directly related to profitability in both the short and long term operation of business. The reputation of a business in the surrounding community, other businesses, and individual investors is paramount in determining whether a company is a worthwhile investment. If a company is perceived to not operate ethically, investors are less inclined to buy stock or otherwise support its operations.

With consistent ethical behavior comes an increasingly positive public image, and there are few other considerations as important to potential investors and current shareholders. To retain a positive image, businesses must be committed to operating on an ethical foundation as it relates to the treatment of employees, respecting the surrounding environment and fair market practices in terms of price and consumer treatment.

Key Words: *Significance of Ethics in Business Management, Fair treatment of stakeholder groups, Values and commitment, Creating positive public image, Ethical operations directly related to profitability.*

Introduction:

“Ethics always says, “Not I, but thou.” Its motto is, “Not self, but non-self.” The vain ideas of individualism, to which man clings when he is trying to find that infinite power or that infinite pleasure through the senses, have to put yourself last, and others before you. The senses say,

"Myself first." Ethics says, "I must hold myself last." Thus, all codes of ethics are based upon this renunciation; destruction, not construction, of the individual on the material plane."

– Swamy Vivekananda.

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.

Business ethics, once considered an oxymoron, has now become a fundamental part of the decision making process within an organization.

Issues connected with business ethics have recently acquired prominence in the changing business scenario. The anxiety of global investors in emerging markets is not only about the quality of management but also the ethical framework for decision-making and the collapse of the South East Asian countries has stressed the issue (business ethics) further.

Business ethics is more than just a concept used to enhance the image of a corporation; ethics are the very foundation of success. Business ethics should be applied from the very moment a firm opens its doors. Business ethics actually consists of the actions of individuals working within businesses.

Business ethics is the accepted set of moral values and corporate standards of conduct in a business organization. The specifics of what this actually means can vary from one organization to another.

Business ethics manifests both as written and unwritten codes of moral standards that are critical to the current activities and future aspirations of a business organization. They can differ from one company to another because of differences in cultural perspectives, operational structures and strategic orientations. The guiding framework of business ethics permeates all levels of the organization. It is about having the wisdom to determine the difference between right actions and wrong decisions.

In simple terms, business ethics fundamentally epitomizes the organization's codes of corporate governance. It stipulates the morality standards and behavioral patterns expected of individuals and the business as a whole. These moral benchmarks can be perceived in terms of the microenvironment and macro environment of the business.

What Is Business Ethics?

According to John Donaldson (1989), 'Business ethics in short can be described as a systematic study of moral (ethical) matters pertaining to business, industry or related activities, institutions or practices and beliefs'.

In defining business ethics Laura Nash (1990) observed that the moral standards of business are not different to that of an individual.

'It is the study of how personal moral norms apply to the activities and goals of commercial enterprise. It is not a separate moral standard, but the study of how the 2 business context poses its own unique problems for the moral person who acts as an agent of this system'.

Similar view was voiced by Sternberg (1994). He also opined that ethics mainly refers to distributive justice in deciding the business activities. 'Business ethics applies ethical reasoning to business situations and activities.

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.

KEY TAKEAWAYS

- Business ethics refers to implementing appropriate business policies and practices with regard to arguably controversial subjects.
- Some issues that come up in a discussion of ethics include corporate governance, insider trading, bribery, discrimination, social responsibility, and fiduciary responsibilities.
- The law usually sets the tone for business ethics, providing a basic guideline that businesses can choose to follow to gain public approval.

Objective of the study

1. To discuss about the significance of Ethics in Business Management
2. To discuss the suggestions to improve business management adopting ethics.

Research Methodology

The main objective of the study is to know the significance of Ethics in Business Management. This study is mainly based on the secondary source in the form of various research papers, websites, textbooks and eBooks.

Eminent Review

Dr. Md. Abdul Jalil (2010) in his article "Implementation Mechanism of Ethics in Business Organizations" has analyzed that, It is significant to have a code of business ethics for each and every company and the corporate managers must adopt appropriate means to implement the contents of that code of business ethics. There should be adequate emphasis on the

implementation of the code of business ethics in business organizations. To have a proper code of business ethics and to undertake effective method of implementing business ethics can ensure success in the business organization as well as to the society where it operates. Proper implementation of business ethics can ensure satisfaction of all stakeholders of the business organization. It is the ultimate desire of all stakeholders of a business organization that it will implement its code of business ethics in the true sense. Future research may be conducted in this area as this is a significant area of business environment.

It is widely believed that business ethics are essential for today’s managers. As Jamiko (2011) claims, “managers face ethical issues at work every day. It is rare for their decision not to concern the ethical aspects”. There are various dimensions of ethics in business in the literature, but the vast majority of them focus on the moral acceptance of the actions undertaken by the managers and employees of the organization. Generally, it can be stated that business ethics explores and uses moral values, principles and standards that define and control the behavior of participants in business at all levels of economic life.

Ranjit Kumar paswan(2012) in his article “Role of Ethics in Modern Business: An Important Key Aspect of the Concern” has analyzed that, the survival of any business requires two things. On the one hand it must go in line with profit maximization and on the other hand it must satisfy the stakeholders. Within the parameters of stakeholders society can be considered one important among them. Ethical considerations are as important in modern business practices. In the field of morality, personal life is not separate from business life. The social dimensions of business ethics cannot be overlooked because many problems arise from the relationship of business to the broader society. Business needs to remain ethical for its own good. Unethical actions and decisions may yield results only in the very short run. For surviving long term businesses require to conduct it ethically and to do its business on ethical lines.

Significance of Ethics in Business Management

- 1. Ethics lays the strategic decision-making.** Leaders and workers of a business characterized by ethical behavior make decisions that are socially acceptable. They allow all the stakeholders to participate in the decision-making process.
- 2. They increase employee retention.** Employees always want to stay longer in a business where the employers value their rights and opinions. To them, their basic needs are satisfied.
- 3. An ethical business attracts investors.** A business that promotes ethics in its management and operations creates an investment-friendly environment. Investors like putting their money where they are sure it is safe.
- 4. Ethical practices help in building and maintaining reputation.** A large part of ensuring business success is down to maintaining a good reputation among your customers. One of the main things that customers will scrutinize when they decide whether they trust or want to engage with a business or not is that business's ethics. If you can brand yourself explicitly as an ethical business, so much the better!
- 5. An ethically oriented company is bound to avoid fines.** They comply with the law, file their tax returns in time, ensure quality of products and services, etc.
- 6. Ethics in a business attracts more employees.** When your company is reputable, more people will be interested to work for you.
- 7. Good Business ethics is the key to enhancing productivity.** People will work harder at their jobs if they believe that what they are doing is ethical. They will not be held back by moral values, and they may feel extra motivated to work because they feel that by doing so they are making the world a better place. So if you want to make a normal profit rise and rise until you are making big bucks, you need to keep your business totally ethical.

8. **Ethics create customer loyalty.** A reputation built on good ethics helps create a positive image in the marketplace. This, in turn, makes customers trust your products and services. They also pass information to their friends and family, hence, creating more customers for you.
9. **Ethics encourage teamwork.** Employers and employees who trust one another work together harmoniously and effectively.
10. **A business that values ethics attracts more suppliers.** A business without suppliers is as good as a failed enterprise. Suppliers are attracted to a company that appreciates what they supply and pay for them promptly.
11. **Ethics in enhancing partnerships.** Partnerships in the business world are very crucial. They help expand your marketplace and improve business relations. In order to get good partners, your reputation must be built on a strong business ethics foundation.
12. **Ethics reduces business risks.** As trust and loyalty are built on ethics, chances of losing potential customers, suppliers, employees and even the company itself are minimal.
13. **Ethics increases business profits.** The decrease in risks and costs mean that the output is likely to be higher than the input hence the company makes a profit.
14. **Ethics lead to sustainable growth in sales.** An increase in customers leads to an increase in demand. Therefore, more goods and services are sold. It may seem that a little selfishness might help your business, however this is never the case. Selfish or unethical actions may seem to give your business a temporary boost, but they will thwart your long term goals. Ethical action is the key to sustainability and success in business.
15. **Good ethics in a business boosts the morale of the employees.** Good business ethics involves rewarding your employees. When an employee is rewarded, he/she works harder leading to more

profits. An ethical working environment provides equal work opportunities to all the employees. It is free for gender-inequality and discrimination of any sort. Candidates are promoted solely on the basis of their merit.

16. Ethics helps in building consumer confidence. Other than customer loyalty, business ethics makes consumers believe in you even during difficult times. For example, when a company's product is found to be faulty and the company takes full responsibility, consumers are bound to trust that it was just a mistake.

17. Ethics in business allows for healthy competitions. It is common to find two or more companies that offer similar services and goods. A company characterized with ethical behavior will not engage in malpractices such as spreading false information about the other company or lowering their prices. Instead, they will allow the customers to choose where they like.

18. Ethics helps in maintaining quality. An ethical company will strive to deliver goods and services of high quality to their customers even in times when the demand is higher than supply.

19. Ethical practices foster community improvement. Ethics teaches the art of giving back. Ethically oriented companies will help a community to be better through things like road construction or schools construction.

20. Ethics promote Corporate Governance in an organization. Good corporate governance ensures that the company is working according to the prescribed rules and regulations. The state of affairs of the company is transparently reported to its stakeholders such as shareholders, management, creditors, and the government.

SUGGESTIONS:

1. A business should aim to have fair dealing with everyone dealing with it.

2. Ethics should be fixed for everyone working in the organization at any level and their implementation should be linked with reward- punishment system.
3. Any violation of ethics should be detected at the earliest and remedial measures taken immediately.
4. Business ethics should be based on broad guidelines of what should be done and what should be avoided.
5. Ethics should be based on the perception of what is right.

CONCLUSION:

Having an ethical business is essential if you want your business to be a real success in the long term. Good business ethics keep your customers satisfied, they encourage people to buy into your business. Business ethics and profit go hand in hand. An ethically oriented business with desire to dominate its market niche is likely to reap a lot of benefits. Unethical companies, however, are doomed to fail even if they started with high profit records. Ethics are there to make relations better and stronger.

It is very important in applying ethics in business because the business can be successful when you get the trust from the customers, vendors, suppliers, shareholders and many more. Business ethics are essential as they keep business persons to operate in a moral pedestal and laws that not only give them the internal satisfaction yet increase sales because many people like to deal with an honest business. So good business ethics should be practiced by all businessmen because they can lead successfully in business and people will trust business trade that is provided by business individuals, company or organization.

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