NAME: IDOWU OLUWATOBI ELIZABETH

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DEPARTMENT: SOCIAL JUSTICE

Using the material provided on Business Ethics, write a five page concept note on what business ethics is and the importance of business ethics.

Ethics is derived from the Greek word- *ethos*, which means custom. The idea of custom here is to suggest that every custom sets certain limits that it expects that individuals and groups will not cross. Ethics, also referred to as moral philosophy, is the branch of philosophy that deals with moral rules that ought to guide social relations among humans as well as regulate how human beings ought to relate with other living and non-living entities around them. Ethics is a field of philosophy where the analytical and critical tools of philosophy are focused on human actions. It is a field that seeks to unearth the nature of morality and what the right moral judgement entails. There are different types of ethics, and they are: Business ethics, Medical ethics, Work ethics, Research ethics, and Environment ethics e.t.c. This paper is going to focus on business ethics and its importance, and in order to understand business ethics, one must be able to properly distinguish between morality and ethics. Morality is concerned with the norms; values and beliefs embedded in social processes which define right and wrong for an individual or a community, that is, all individuals and communities have a basic sense of what is right and wrong in relation to particular activities, while ethics has been described above.

A business is a productive organization—an organization whose purpose is to create goods and services for sale, usually at a profit. Business is also an activity. One entity (e.g., a person, an organization) “does business” with another when it exchanges a good or service for valuable consideration. Therefore, **business ethics** which is also be referred to as ‘corporate ethics’ can be defined as the study of business situations, activities, and decisions where issues of right and wrong are addressed. Business ethics does not only refer to as commercial businesses but also government organizations, not-for-profit businesses, pressure groups, charities and other organizations. In the definition given above, it is worth stressing that by ‘right’ and ‘wrong’ it means morally right and wrong as opposed to, for example, commercially, strategically or financially right or wrong. The term 'business ethics' came into common use in the United States in the early 1970s. By the mid-1980s at least 500 courses in business ethics reached 40,000 students, using some twenty textbooks and at least ten casebooks supported by professional societies, centres and journals of business ethics. The Society for Business Ethics was founded in 1980. European business schools adopted business ethics after 1987 commencing with the European Business Ethics Network. In 1982 the first single-authored books in the field appeared. Firms began highlighting their ethical stature in the late 1980s and early 1990s, possibly in an attempt to distance themselves from the business scandals of the day, such as the [savings and loan crisis](https://en.wikipedia.org/wiki/Savings_and_loan_crisis). The concept of business ethics caught the attention of academics, media and business firms by the end of the Cold War. However, criticism of business practices was attacked for infringing the freedom of [entrepreneurs](https://en.wikipedia.org/wiki/Entrepreneurs) and critics were accused of supporting [communists](https://en.wikipedia.org/wiki/Communist). This scuttled the discourse of business ethics both in media and academia. The Defence Industry Initiative on Business Ethics and Conduct (DII) was created to support corporate ethical conduct. This era began the belief and support of self-regulation and free trade, which lifted tariffs and barriers and allowed businesses to merge and divest in an increasing global atmosphere.

Having described business ethics in terms of the issue of right and wrong, one might naturally question whether this is in any way distinct from law since law is also about the issues of right and wrong, and a definition of the minimum acceptable standards of behaviour. In fact, the law is essentially an institutionalization or codification of ethics into specific social rules, regulations and proscriptions. Nevertheless, the two are not equivalent; that is, they are not similar. For example, just as there is no law preventing a person from being unfaithful to their partners (although it is perceived by many to be unethical), so there is no law in many countries preventing businesses from testing their products on animals, selling land mines to oppressive regimes or preventing their employees from joining a union- again, which many feel very strongly about. It can be said that business ethics begins where the law ends. That is, business ethics is primarily concerned with those issues not covered by the law, or where there is no definite consensus on whether something is right or wrong. What is ethical and unethical in general society may not be the same in business as the latter operates in different environments.

Talking about the ethics of particular business practices may eventually lead to legislation once some kind of consensus is reached, but for most of the issues of interest to business ethics, the law typically does not provide us with guidance. For this reason, it is often said that business ethics is about the ‘grey areas’ of business or where ‘values are in conflict’.

For example, let’s assume Company A works with a contact at Company B, an individual through which they negotiate all the prices for supplies they buy from Company B. Company A naturally wants to get the best prices on the supplies. When the individual from Company B comes to their home office to negotiate a new contract, they put him up in a top-tier hotel, in the very best suite, and make sure that all his wants and needs are met while he is there. In technical terms, the practice is not illegal; however, it might be considered a grey area – close to, but not quite, [bribery](https://www.justice.gov/criminal-fraud/foreign-corrupt-practices-act) – because the individual is then likely to be more inclined to give Company A a price break at the expense of getting the best deal for his own company. Business ethics problems also tend to be very controversial and open to widely different points of view. In this sense, business ethics is not like subjects like accounting, engineering, finance or business law where an individual is supposed to learn specific procedures and facts in order to make objectively correct decisions. Studying business ethics helps one make better decisions, but this is not the same as making unequivocally right decisions.

* **Why is business ethics important?**

Business ethics is currently a very projected business topic, and the debates and dilemmas surrounding business ethics have tended to attract an enormous amount of attention from various quarters. For a start, consumers and pressure groups appear to be increasingly demanding firms to seek out more ethical and ecologically sounder ways of doing business. The media also constantly seems to be keeping the spotlight to corporate abuses and malpractices, and even firms themselves appear to be increasingly recognizing that being ethical may actually be good for business. Many aspects of the work environment influence an individual's decision-making regarding ethics in the business world. When an individual is on the path of growing a company, many outside influences can pressure them to perform a certain way. The core of the person's performance in the workplace is rooted by their personal code of behaviour. A person's personal code of ethics encompasses many different qualities such as integrity, honesty, communication, respect, compassion, and common goals. In addition, the ethical standards set forth by a person's superior(s) often translate into their own code of ethics. The company's policy is the 'umbrella' of ethics that play a major role in the personal development and decision-making processes that people make in respects to ethical behaviour.

To retain a positive reputation and image, businesses must be committed to operating on an ethical foundation as it relates to respecting the surrounding environment, treatment of employees, and good market practices in terms of customer treatment and price. Employees also feel comfortable and want to stay in the business for the long term when working with a company which has strong business ethics. This increases the productivity and reduces the labour turnover. They are also bound to follow the footsteps of the organization. When an employee does his work with integrity and honesty, and by following the guidelines, it will eventually benefit the company.

There are many reasons why business ethics might be regarded as an important area of study, whether as students interested in evaluating business activities or as managers seeking to improve their decision making skills. Here are the main reasons why a good understanding of business ethics is considered important:

1. The power of business in the society is greater than ever before. Evidence suggests that a greater percentage of the members of the public are uneasy with such developments (Bernstein 2000). Business ethics helps us to understand why this is happening, its implications and how this kind of situation may be addressed.
2. Business ethics helps in building openness, integrity and a sense of oneness amongst all employees. Employees become motivated as they feel strong alignment between their values and those of organisation.
3. Business has the potential to provide a major contribution to our societies, in terms of producing products and services that are mostly required, provision of employment opportunities, payment of taxes and acting as an engine for economic development e.t.c. Hoe, or indeed whether this contribution is made raises significant ethical issues that go to the heart of the social role in contemporary society.
4. The demands being placed on business to be ethical by its various stakeholders are constantly becoming more complex and more challenging. Business ethics provides the means to appreciate and understand these challenges more clearly, in order that firms can meet these ethical expectations more effectively.
5. Business ethics helps in quality management, strategic planning and diversity management.
6. Business ethics can provide us with the ability to assess the benefits and problems associated with different ways of managing ethics in organizations.
7. Business ethics is also extremely interesting in that it provides us with knowledge that transcends the traditional framework of business studies and confronts us with some of the most important questions faced by the society. The subject can therefore be richly rewarding to study because it provides us with knowledge and skills which are not simply helpful for doing business, but rather, by helping us understand modern societies in a more systematic way that can advance our abilities to address life situations far beyond the classrooms or the office desk.
8. Ethical infractions continue to occur in business. Business ethics provides us with a way of looking at the reason behind infractions, and the ways which such problems might be dealt with by managers, regulators and others interested in improving business ethics.
9. Business ethics can help to improve ethical decision making by providing managers with the appropriate knowledge and tools that allow them to correctly identify, analyse, diagnose and provide solutions to the ethical problems and dilemmas they are confronted with.
10. Business malpractices have the potential to inflict enormous harm on individuals, on communities and on the environment. Through helping us understand more about the causes and consequences of these malpractices, business ethics seeks, as the founding editor of the *journal of business ethics* has suggested (Michalos 1988), ‘to improve the human condition’.

**In conclusion**, Ethical issues often arise in business settings, whether through business transactions or forming new business relationships. An [ethical issue](https://en.wikipedia.org/wiki/Ethics) in a business atmosphere may refer to any situation that requires business associates as individuals, or as a group (for example, a department or firm) to evaluate the [morality](https://en.wikipedia.org/wiki/Morality) of specific actions, and subsequently make a decision amongst the choices. Some ethical issues of particular concern in today's evolving business market include such topics as: [honesty](https://en.wikipedia.org/wiki/Honesty), [integrity](https://en.wikipedia.org/wiki/Integrity), professional behaviours, [environmental issues](https://en.wikipedia.org/wiki/Environmental_issue), [harassment](https://en.wikipedia.org/wiki/Harassment), and [fraud](https://en.wikipedia.org/wiki/Fraud) to name a few. It is integral to the success of an organization that ethics issues such as these be properly addressed and resolved. Businesses should strive to educate themselves on these issues and ethical practices in general. From a 2009 National Business Ethics survey, it was found that types of employee-observed ethical misconduct included abusive behaviour (at a rate of 22 percent), [discrimination](https://en.wikipedia.org/wiki/Discrimination) (at a rate of 14 percent), improper hiring practices (at a rate of 10 percent), and company resource abuse (at a rate of percent).

The ethical issues associated with honesty are widespread and vary greatly in business, from the misuse of company time or resources to lying with malicious intent, engaging in [bribery](https://en.wikipedia.org/wiki/Bribery), or creating conflicts of interest within an organization. Honesty encompasses wholly the truthful speech and actions of an individual. Some cultures and belief systems even consider honesty to be an essential pillar of life, such as Confucianism and Buddhism (referred to as sacra, part of the [Four Noble Truths](https://en.wikipedia.org/wiki/Four_Noble_Truths)). Many employees lie in order to reach goals, avoid assignments or negative issues; however, sacrificing honesty in order to gain status or reap rewards poses potential problems for the overall ethical culture organization, and jeopardizes organizational goals in the long run. Using company time or resources for personal use is also, commonly viewed as unethical because it boils down to stealing from the company. The misuse of resources costs companies billions of dollars each year, averaging about 4.25 hours per week of stolen time alone, and employees' abuse of Internet services is another main concern. Bribery, on the other hand, is not only considered unethical is business practices, but it is also illegal. In accordance with this, the Foreign Corrupt Practices Act was established in 1977 to deter international businesses from giving or receiving unwarranted payments and gifts that were intended to influence the decisions of executives and political officials. Although, small payments known as [facilitation payments](https://en.wikipedia.org/wiki/Facilitating_payment) will not be considered unlawful under the Foreign Corrupt Practices Act if they are used towards regular public governance activities, such as permits or licenses.