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DEPARTMENT: SOCIAL JUSTICE

QUESTION: WRITE A FIVE PAGE CONCEPT NOTE ON WHAT BUSINESS ETHICS IS AND THE IMPORTANCE OF BUSINESS ETHICS.

**BUSINESS ETHICS**

 Ethics are the regulations that examine moral standards of an individual or a society. So, an ethical behaviour is the behaviour that conforms to moral standards. Business ethics apply to moral rights and wrongs, as they apply to business institutions and organizations.

The current emphasis on ethics in business is not a passing fad. Companies are taking a fresh look on how they would like their businesses to operate and what should be the impact of their businesses. Ethical business is a fundamental, emerging trend on the international scene.

 **Business ethics** (also known as **corporate ethics**) is a form of [applied ethics](https://en.wikipedia.org/wiki/Applied_ethics) or [professional ethics](https://en.wikipedia.org/wiki/Professional_ethics), that examines ethical principles and moral or ethical problems that can arise in a business environment. It applies to all aspects of business conduct and is relevant to the conduct of individuals and entire organizations. These ethics originate from individuals, organizational statements or from the legal system. These norms, values, ethical, and unethical practices are the principles that guide a business. They help those businesses maintain a better connection with their stakeholders.

According to Cater McNamara, “Business Ethics is generally coming to know what is right or wrong in the work place and doing what is right. This is in regard to effects of products/services and in relationship with the stake holders.”

According to John Donaldson, “Business ethics in short can be defined as the systematic study of ethical matters pertaining to the business, industry or related activities, institutions and beliefs. Business ethics is the systematic handling of values in business and industry.”

Business ethics refers to contemporary organizational standards, principles, sets of values and norms that govern the actions and behaviour of an individual in the business organization. Business ethics have two dimensions, normative business ethics or descriptive business ethics. As a corporate practice and a career specialization, the field is primarily normative. Academics attempting to understand business behaviour employ descriptive methods. The range and quantity of business ethical issues reflects the interaction of profit-maximizing behaviour with non-economic concerns.

There is no unanimity of opinion as to what constitutes business ethics. There are no separate ethics of business but every individual and organ in society should abide by certain moral orders. Interest in business ethics accelerated dramatically during the 1980s and 1990s, both within major corporations and within academia. For example, most major corporations today promote their commitment to non-economic values under headings such as ethics codes and social responsibility charters.

Adam Smith said, "People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices." Governments use laws and regulations to point business behaviour in what they perceive to be beneficial directions. Ethics implicitly regulates areas and details of behaviour that lie beyond governmental control. The emergence of large corporations with limited relationships and sensitivity to the communities in which they operate accelerated the development of formal ethics regimes.

Maintaining an ethical status is the responsibility of the manager of the business. According to the Journal of Business Ethics, "Managing ethical behaviour is one of the most pervasive and complex problems facing business organizations today."

[Business](https://en.wikipedia.org/wiki/Business) ethics is part of the [philosophy of economics](https://en.wikipedia.org/wiki/Philosophy_of_Economics), the branch of [philosophy](https://en.wikipedia.org/wiki/Philosophy) that deals with the philosophical, political, and [ethical](https://en.wikipedia.org/wiki/Ethics) underpinnings of business and [economics](https://en.wikipedia.org/wiki/Economics). Business ethics operates on the premise, for example, that the ethical operation of a private business is possible—those who dispute that premise, such as [libertarian socialists](https://en.wikipedia.org/wiki/Libertarian_socialism), (who contend that "business ethics" is an [oxymoron](https://en.wikipedia.org/wiki/Oxymoron)) do so by definition outside of the domain of business ethics proper.

The philosophy of economics also deals with questions such as what, if any, are the [social responsibilities](https://en.wikipedia.org/wiki/Social_responsibility) of a business; [business management](https://en.wikipedia.org/wiki/Business_management) [theory](https://en.wikipedia.org/wiki/Theory); theories of [individualism](https://en.wikipedia.org/wiki/Individualism) vs. [collectivism](https://en.wikipedia.org/wiki/Collectivism); [free will](https://en.wikipedia.org/wiki/Free_will) among participants in the [marketplace](https://en.wikipedia.org/wiki/Marketplace); the role of [self interest](https://en.wikipedia.org/wiki/Selfishness); [invisible hand](https://en.wikipedia.org/wiki/Invisible_hand) theories; the requirements of [social justice](https://en.wikipedia.org/wiki/Social_justice); and [natural rights](https://en.wikipedia.org/wiki/Natural_rights), especially [property rights](https://en.wikipedia.org/wiki/Property_rights), in relation to the business enterprise.

Business ethics is also related to [political economy](https://en.wikipedia.org/wiki/Political_economy), which is [economic analysis](https://en.wikipedia.org/wiki/Economic_analysis) from political and [historical](https://en.wikipedia.org/wiki/Economic_history) perspectives. Political economy deals with the distributive consequences of economic actions.

In a nutshell, business ethics is regarded as the study of business situations, activities, and decisions where issues of right and wrong are addressed.

It is worth stressing that by **right** and **wrong,** we mean morally right and wrong as opposed to, for example, commercially, strategically, or financially right or wrong. In common usage, the terms **ethics** and **morality** are often used interchangeably. In many ways, it is probably true to say that this does not pose many real problems for most of us in terms of communicating and understanding things about business ethics. However, in order to clarify certain arguments, we offer the following distinction:

*Morality is concerned with the norms, values, and believes embedded in social processes which can define right and wrong for an individual or a community.*

*Ethics is concerned with the study of morality and the application of reason to elucidate specific rules and principles that determine right and wrong for a given situation. These rules and principles are called ethical theories.*

So therefore, in concluding the distinction between morality and ethics, it is safe to say that morality precedes ethics.

**Importance of Business Ethics**

Business ethics is currently a very important business topic, and the debates and dilemmas surrounding business ethics have tended to attract huge 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 on corporate abuses and malpractices. And even firms themselves appear to be increasingly recognizing that being ethical (or at the very least, being seen to be ethical) may actually be good in business. Ethical issues confront organizations whatever line of business they might be in.

Therefore, there are many reasons why business ethics may be regarded as an increasingly important area of study, whether as students interested in evaluating business activities, or as managers seeking to improve their decision-making skills. Below are the importances of business ethics:

1. 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 expectations more effectively.
2. Few business people in Europe and elsewhere have received formal business ethics education or training. Business ethics can help to improve ethical decision making by providing managers with the appropriate knowledge and tools that allow them to correctly identify, diagnose, analyse, and provide solutions to the ethical problems and dilemmas they are confronted with.
3. Business ethics can provide us with the ability to access the benefits and problems associated with different ways of managing ethics in organizations.
4. 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 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 to understand modern societies in a more systematic way, can advance our ability to address life situations far beyond the classroom or the office desk.
5. Business malpractices have the potential to inflict massive harm on individuals, on the community and on the environment. Through helping us to understand more about the consequences and causes of these malpractices, business ethics seeks, as the founding editor of *Journal of Business Ethics* has suggested (Michalos 1988), ‘to improve the human condition’.
6. The power and influence of business in society is greater than ever before. Evidence suggests that many members of the public are uneasy with such developments (Bernstein 2000). Business ethics helps us to understand why this is happening, what its implications might be, and how we might address this situation.
7. Business has the potential to provide a major contribution to our societies, in terms of producing the products and services that we want, providing employment, paying taxes, and acting as an engine for economic development, to name just a few examples. How, or indeed whether, this contribution is made raises significant ethical issues that go to the heart of the social role in business in contemporary society.
8. Credibility in the Public. Ethical values of an organisation create credibility in the public eye. People will like to buy the product of a company if they believe that the company is honest and is offering value for money. The public issues of such companies are bound to be a success. Because of this reason only the cola companies are spending huge sums of money on the advertisements now-a-days to convince the public that their products are safe and free from pesticides of any kind.
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11. Corresponds to Basic Human Needs. The basic need of every human being is that they want to be a part of the organisation which they can respect and be proud of, because they perceive it to be ethical. Everybody likes to be associated with an organisation which the society respects as an honest and socially responsible organisation. The HR managers have to fulfil this basic need of the employees as well as their own basic need that they want to direct an ethical organisation. The basic needs of the employees as well as the managers compel the organizations to be ethically oriented.

**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 [sacca](https://en.wikipedia.org/wiki/Sacca%22%20%5Co%20%22Sacca), 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.

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