**BUSINESS ETHICS**

Written by: Adawari Atamunobomari Ebenezer (16/law01/001)

**Definition of Business and Ethics**

Business can simply be defined as the activities of individuals or groups that are involved in developing, producing and distributing the goods and services needed to satisfy other peoples’ needs and desires in return for a profit.

The definition we have proposed here is very broad. It shows that businesses can differ widely in size, in the type of products, in nature of ownership and in degree of profitability. The purpose and importance of business is to provide for consumers’ needs and to make some money in the process. Hence, the primary purpose of business is to contribute to human welfare and to make profit.

Ethics refer on the other hand, to the principles and standards of moral behaviour that are accepted by society as right versus wrong. To make the right choice, or at least the best choice from among competing alternatives, individuals must think through the consequences of their actions. Ethics can be defined as a set of principles of right conduct. It can also be defined as a theory or a system of moral values. Business ethics is the application of moral standards to business situations.

Business ethics has been claimed, to be an oxymoron (Collins 1994). This is to say that there are not, or cannot be, ethics in business: that business is in some way unethical (i.e. that business is inherently bad), or that it is, at best, amoral (i.e. outside of our normal moral considerations). For example, in the latter case, Albert Carr (1968) notoriously argued in his article ‘Is Business Blubng Ethical’ that the ‘game’ of business was not subject to the same moral standards as the rest of society, but should be regarded as analogous to a game of poker where deception and lying were perfectly permissible.To some extent, it is not surprising that some people think this way. Various scandals concerning undesirable business activities, such as the despoiling of rivers with industrial pollutants, the exploitation of sweatshop workers, the payment of bribes to government officials, and the deception of unwary consumers have highlighted the unethical way in which some firms have gone about their business. However, just because such malpractices take place, does not mean that there are not some kinds of values or principles driving such decisions. After all, even what we might think of as ‘bad’ ethics are still ethics of a sort. And clearly, it makes sense to try and understand why those decisions get made in the first place, and indeed to try and discover whether more acceptable business decisions and approaches can be made. Certainly then, the revelations of corporate malpractice should not be interpreted to mean that thinking about ethics in business situations is entirely redundant. After all, as various writers have shown, many everyday business activities require the maintenance of basic ethical standards, such as honesty, trustworthiness, and co-operation (Collins 1994; Watson 1994). Business activity would be impossible if corporate directors always lied; if buyers and sellers never trusted each other; or if employees refused to ever help each other.
Similarly, it would be wrong to infer that scandals involving corporate wrongdoing mean that the subject of business ethics was in some way naïve or idealistic. Indeed, on the contrary, it can be argued that the subject of business ethics primarily exists in order to provide us with some answers as to why certain decisions should be evaluated as ethical or unethical, or right or wrong. Without systematic study, how are we able to oaer anything more than vague opinions or hunches about whether particular business activities are acceptable?

Whichever way one looks at it then, there appears to be good reason to suggest that business ethics as a phenomenon, and as a subject, is not an oxymoron. Whilst there will inevitably be disagreements about what exactly constitutes ‘ethical’ business activity, it is possible at least to over a fairly uncontroversial definition of the subject itself.

Business Ethics has been a growth area in the business world in recent times. Before the advent of business ethics, business transactions have largely been conducted on the principle of caveat emptor, meaning buyer beware. Much has changed in recent times. The law is the most important source of ensuring that consumers receive a fair deal from retailers and manufacturers. Some of these laws in Nigeria include: the Price Control Act of 1970 as amended by the Price Control Act, 1977; Nigeria Standard Organisation of Nigeria Act of 1971 (SON); National Agency for Food and Drugs Administration and Control Act of 1974(NAFDAC); Weight and Measures Act of 1974, etc. These and other related laws are essentially an imposition of moral consideration on business.

However, this does not imply that business surrenders to the law to resolve its moral dilemmas. This is where business ethics becomes relevant. What then is Business ethics?

**WHAT IS BUSINESS ETHICS?**

Business ethics is 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. More- over, by ‘business’ ethics, we do not mean only commercial businesses, but also government organizations, pressure groups, not-for-profit businesses, charities, and other organizations. For example, questions of how to manage employees fairly, or what constitutes deception in advertising, are equally as important for organizations such as Greenpeace, the University of Stockholm, or the German Christian Democrat Party as they are for Shell, Volvo, or Deutsche Bank.

Having defined business ethics in terms of issues of right and wrong, one might quite naturally question whether this is in any way distinct from the law. Surely, the law is also about issues of right and wrong? This is true, and there is indeed considerable overlap between ethics and the law. 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. Perhaps the best way of thinking about ethics and the law is in terms of two intersecting domains. The law might be said to be a definition of the minimum acceptable standards of behaviour. However, many morally contestable issues, whether in business or elsewhere, are not explicitly covered by the law. For example, just as there is no law preventing you from being unfaithful to your girlfriend or boyfriend (although this is perceived by many to be unethical), so there is no law in many countries preventing businesses from testing their products on animals, selling landmines to oppressive regimes, or preventing their employees from joining a union – again, issues which many feel very strongly about. Similarly, it is possible to think of issues that are covered by the law, but which are not really about ethics. For example, the law prescribes whether we should drive on the right or the left side of the road. Although this prevents chaos on the roads, the decision about which side we should drive on is not an ethical decision as such. In one sense then, business ethics can be said to begin where the law ends. 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. Discussion 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 currently provide us with guidance. For this reason, it is often said that business ethics is about the ‘grey areas’ of business, or where, as Treviño and Nelson (2007: 3) put it, ‘values are in conflict’.

Business ethics on the other hand, is defined as a form of the art of applied ethics that examines ethical principles and moral or ethical problems that can arise in a business environment.

Business ethics can also be defined as an act of addressing the morality of economic systems(e.g. the free market, communism, socialism) and the conduct of the organisations found within these systems(e.g. corporation in a free market system).

Many firms have a set of policies on business conduct and legal compliance. The policies embrace ethics, internal controls, conflict of interest and a host of other areas, all of which are designed to promote good and ethical business practices. Employees are acquainted with

these policies and are made to sign undertakings to maintain them. As a matter of policy, the company is ready to concede business opportunity in favour of its code of ethics.

**IMPORTANCE OF BUSINESS ETHICS**

**Why is business ethics important?**

Business ethics is currently a very bulbous 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 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 for business. Ethical issues confront organizations whatever line of business they might be in.
There are therefore many reasons why business ethics might 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 some reasons why business ethics are considered important:

1 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.

2 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.

3 Business malpractices have the potential to inflict enormous harm on individuals, on communities and on the environment. Through helping us to 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.

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 Few businesspeople 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.

6 Ethical infractions continue to occur in business. For example, in a recent UK survey of ethics at work, one in four employees said that they had felt pressure to compromise their own or their organization’s ethical standards, and one in five had noticed behaviour by their colleagues that violated the law or did not accord with expected ethical standards. Business ethics provides us with a way of looking at the reasons behind such infractions, and the ways in which such problems might be dealt with by managers, regulators, and others interested in improving business ethics.

7 Business ethics can provide us with the ability to assess the benefits and problems associated with different ways of managing ethics in organizations.

8 Finally, business ethics is also extremely interesting in that it provides us with know- ledge 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.