

## IMPORTANCE OF ETHICS IN BUSINESS MANAGEMENT

Dr. Rizwana Atiq

*Asst. Prof.*

*Dept. Of Business Management*

*Integral University, Lucknow*

**Abstract:** The word “Ethics” has its origin from the word “ethos” which means manners. Thus we can say that Ethics is a science of morals, a treatise on rule of conduct which may be referred as “Moral Principles, in relation to business, “ethics” may be defined as the **study of good and evil, right and wrong, or just and unjust action of businessmen and the corporations.**

It is the prime duty of the business organizations to keep their customers happy and follow a code of ethics to render the best possible goods and services to customers. As marketers we should not disregard the concern of our customers and should never try to take our customers for a ride. By no way can a business organization survive if tries to overlook the basic needs of its customers.

All actions are subject to ethical imperatives and may be interpreted in an ethical light. Ethics have also always had a certain weight in the world of business and management. There are innumerable complaints from the side of customers. There are numerous voices of dissatisfaction heard from a hoard of customers all over the country. There are complaints against travel agents, transportation service provides, financial products providers, banks and many more service providers besides the manufacturer of products.

The giant corporate should remember that if they do not follow ethics in their business then they would not just put the customers at a loss but the giant would create serious problem for its own existence besides eroding their customer base.

**Key Word:** Responsibility, unjust, Reputation

### INTRODUCTION

The Ethics denotes moral responsibility of a person, here, of a company. In India, we don't have laws with respect to the compliance of CSR by corporate so it remains the ethical responsibility of the company to follow CSR practice. How ethics in CSR can bring a cutting edge for the organization and in what all areas of the organization ethics is implemented, is the scope of this paper. We would also touch the ethical issues and ethical policies involved in adopting CSR in an organization.

The State looks at Corporate not only for investments but also for its developmental goals. Business needs to demonstrate responsible behavior since the Corporate has a responsibility to pay back to the society in which they exist and flourish. Organizations should take responsibility for the impact of their activities on customers, suppliers, employees, shareholders, communities and other stakeholders, as well as the environment. Organizations should voluntarily take further steps for the overall development of the society.

Business ethics means a set of rules of conduct applied to business and acceptable to society without any objection. Practically the term ‘business ethics’ implies the do's and don'ts for any business.

All managers and workers weigh up their actions in the light of personal principles, values and religious beliefs. But ethics are not confined to the subjective sphere: individual behavior is organized and consolidated into the aims of a business or organization. Therefore every business and every organization has a reference value system and may have its own statute of ethics.

### Ethical issues and approaches

Some Philosophers suggest that the principal purpose of a business is to maximize returns to its owners, or in the case of a publicly-traded concern, its shareholders. Thus, under this view, only those activities that increase profitability and shareholder value should be encouraged, because any other activity or function acts as a tax on profits. Some believe that the only companies that are likely to survive in a competitive marketplace, are those that place profit maximization above everything else.

Other theorists contend that a business has moral duties that extend well beyond serving the interests of its owners or stockholders, and that these duties consist of more than simply obeying the law. They believe a business has moral responsibilities to so-called stakeholders, people who have an interest in the conduct of the business, which might include employees, customers, vendors, the local community, or even society as a whole.

They would say that stakeholders have certain rights with regard to how the business operates, and some would suggest that this includes even rights of governance.

Ethical issues can arise when companies must comply with multiple (and sometimes) conflicting legal or cultural standards, as in the case of multinational companies that operate in countries with varying practices. The question arises, for example, ought a company to obey the laws of its home country, or should it follow the less stringent laws of the developing country in which it does business? Many of companies from paying bribe domestically or overseas; however, in other parts the world, bribery is a customary, accepted way of doing business. Similar problems can occur with regard to child labor, employee safety, work hours, wages, discrimination, and environmental protection laws.

The issues surrounding government regulation pose several problems. Regulation in itself is unable to cover every aspect in detail of a corporation's operations. This leads to burdensome legal processes bogged down in interpretations of the law and debatable gray areas certain corporation have failed to clean up the rivers after contaminating them with organic pollutants. The company continues to argue via the legal process on assignment of liability, while the cleanup remains stagnant. The second issue is the financial burden that regulation can place on a nation's economy. The avoidance of compliance on the part of Government with the Kyoto Protocol in 1997, on the concerns of economic loss and national interest, has also led to raise the issue. The Australian government took the position that signing the Kyoto Pact would have caused more significant economic losses for Australia than for any other OECD nation. Critics of CSR also point out those organizations pay taxes to government to ensure that society and the environment are not adversely affected by business activities.

The rise of ethics training inside corporations, some of it required by government regulation, is another driver credited with changing the behaviour and culture of corporations. The aim of such training is to help employees make ethical decisions when the answers are unclear. Humans are built with the capacity to cheat and manipulate, hence the need for learning normative values and rules in human behaviour. The most direct benefit is reducing the likelihood of "dirty hands" fines and damaged reputations for breaching laws or moral norms.

### **Programmes in Ethics**

An ethics program consists of the rule and policies of an organization and the procedure and systems for motivating and monitoring ethical performance. Rules and policies include the culture and values of an organization and formal documents, such as mission statement, code of ethics, policy and personnel manuals, training material and management directories. Compliance with rules and policies is secured by various procedure and systems of orientation, training, compensation, promotion, auditing and investigation.

The component of a corporate ethics program generally include a code of ethics, ethics training for employees, means of communication with employees about matters of ethics, a reporting mechanism for employees to report all wrongdoing, an audit system for detecting wrongdoing and a system for conducting investigation and taking corrective actions.

The levels of corporate citizenship are corporate governance law, corporate philanthropy and corporate social responsibility. Corporate citizenship means adhering to laws, and complying with some standards. Corporate philanthropy means helping communities via social investments. Corporate social responsibility requires performance of one's obligations to stakeholders.

### **ETHICS AND CORPORATE CORPORATE SOCIAL RESPONSIBILITY**

As global population increases, so does the pressure on limited natural resources required to meet rising consumer demand. Industrialization in many developing countries is booming as a result of technology and globalization. Consumers are becoming more aware of the environmental and social implications of their day-to-day consumer decisions and are beginning to make purchasing decisions related to their environmental and ethical concerns. However, this practice is far from consistent or universal. This has led companies not to overlook the impact of their operations on the society and the territory in which they operate. These all factor have profound effect on the Corporate Social Responsibility and at the same time on the Ethical consumerism.

### **ETHICS POLICIES IN CORPORATES**

To be successful, most ethicists would suggest that an ethics policy should be given the unequivocal support of top management, by both word and example and explained in writing and orally, with periodic reinforcement.

In the wake of numerous corporate scandals between the year 2001 and year 2004 (affecting large corporations like Enron, WorldCom and Tyco), even small and medium-sized companies have begun to appoint

ethics officers. They often report to the Chief Executive Officer and are responsible for assessing the ethical implications of the company's activities, making recommendations regarding the company's ethical policies, and disseminating information to employees. They are particularly interested in uncovering or preventing unethical and illegal actions.

The mere establishment of a position to oversee ethics will most likely be insufficient to inculcate ethical behaviour: a more systemic programme with consistent support from general management will be necessary. More than goodwill, corporate community involvement or strategic corporate philanthropy, corporate responsibility is a genuine attempt by a company to build meaningful relationships between the corporate sector and the rest of society.

### **CONCLUSION**

It is the need of the hour to delve deep into this issue and find out the reasons for the dissatisfaction of the customers and the ways to overcome them. The business organizations are not keeping the ethical aspects of business in mind, instead, are simply bent on supplying whatever product or service they have. Such organizations may survive with great profits but when they are caught then they have to bear unbearable insult and a tremendous loss. Their customers would dump their businesses forever.

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