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Business Ethics

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Abstract

The purpose of this article is to define *ethics*, then critically examine its importance in business. In the process, it will research at least three peer-reviewed articles on the issue of ethics in business, and share thoughts on how applying ethical standards affects both corporate leaders and followers. It will consider and discuss the strengths and weaknesses of applying ethical standards in the workplace. Finally, the author will share personal or professional experiences that where appropriate.

Keywords: Ethics, Business, Standards, Corporate, Leaders, Followers, Experience

Ethics

Ethics is that branch of philosophy dealing with values relating to human conduct, on the rightness and wrongness of certain actions and the goodness and badness of the motives and ends of such actions (Manuel Velasquez, 2014). The paper defines ethics precisely as a person's situation-dependent application of moral standards, which stem from the traditions, values or beliefs that have grown in societies concerning right and wrong conduct (Müller, Turner, Andersen, Jingting, & Kvalnes, 2014).

Importance of Ethics in Business

Business ethics is a form of applied ethics that examines ethical principles and moral or ethical problems that arise in the business environment ([Warren, 2011](#)). It applies to all aspects of business conduct and is relevant to the conduct of individuals and business organizations as a whole. Its part of Applied Ethics, a field of ethics that deals with ethical questions in many areas such as medical, technical, legal and business. The range and quantity of business ethical issues reflects the degree to which business is perceived to be at odds with non-economic social values ([Alzola, 2015](#); [Enderle, 2015](#); Müller et al., 2014; [Vranceanu, 2014](#)).

Business ethics is both a normative and a descriptive discipline. As a corporate practice and a career specialization, the field is primarily normative. In academia, it takes an illustrative approach. The category of descriptive ethics is the easiest to understand - it involves describing how people behave and what sorts of moral standards they claim to follow. Descriptive ethics incorporates research from the fields of anthropology, psychology, sociology and history as part of the process of understanding what people do or have believed about moral norms ([Alzola, 2015](#); [Enderle, 2015](#); Müller et al., 2014; [Vranceanu, 2014](#)).

The category of normative ethics involves creating or evaluating moral standards (Vranceanu, 2014). Thus, it is an attempt to figure out what people should do or whether their current moral behavior is reasonable. Traditionally, most of the field of moral philosophy has involved normative ethics – many philosophers endeavor to explain what in their considered opinion people should do and why (Alzola, 2015).

In practice, there are six core ethical values. These core values are Honesty, Integrity, Loyalty, Fairness, Responsibility, and Citizenship (Catlin, 2013). In addition to these core ethical values, scholars have established six fundamental moral principles. The first moral principle is the Golden Rule, which states that do unto others as you would like them to do unto you. The second ethical principle is the Immanuel Kant's Categorical Imperative which posits that if an action is not right for everyone to take, it is not reasonable for anyone. The third principle is Descartes' Rule of Change which holds that if an action cannot repeatedly be taken, it is not right to be taken at all. The fourth principle is the Utilitarian Principle, that says to take the action that achieves the highest or greater value. The fifth key ethical principle is the Risk Aversion Principle that states that ethical people should take the action that produces the least harm or the least potential cost. The sixth and final principle is the principle of "no free lunch" rule that states that people should assume that virtually all tangible and intangible objects are owned by someone else unless there is an explicit declaration otherwise' (Alzola, 2015; Enderle, 2015; Müller et al., 2014; Vranceanu, 2014).

In the main, Business ethics holds that an action is permissible, required, or wrong if and only if it is an action that a person of good character would (or would not) characteristically perform under the circumstances (Alzola, 2015). Thus, what is right and what is wrong in virtue ethics is defined by reference to people and their traits, which are their basic moral concepts (Alzola, 2015).

Leaders, Managers and all employees of businesses are expected to be virtuos people. It is then expected of them to understand these principles and apply them first in setting the missions and goals, then in their execution of the tasks ([Alzola, 2015](#)).

Influence of Ethics on Leaders and Followers

Müller et al. found that Ethical issues in organizations can be categorized into the following transparency, optimization, relational, Power and politics issues, Illegal actions, Role conflicts, and Underperforming governance structure (Müller et al., 2014). Transparency is needed to stimulate ethical awareness through information sharing, which ultimately ensures accountability for the performance of individuals and their organizations (Müller et al., 2014). Optimization **issues** are at the core of Kohlberg's traditional six-stage model of increasingly higher levels of moral sophistication; ethical optimization constitutes the lowest level and justice, rights, and social responsibility the highest level (Müller et al., 2014). Relationship **issues** arise from the dilemma of either sacrificing personal relationships for the sake of the organization or vice versa (Müller et al., 2014). Power and politics issues emerge from the use of power or politics to enforce decisions or changes in projects. Illegal actions issues include fraud, corruption, blackmailing, and bribery. Role conflicts issues arise from differences in cultural, religious, legal, or career values. Lastly, Underperforming governance structure result from low or non-involvement of governance institutions when their role is crucial for project progress (Müller et al., 2014).

Ethics scholars are critical on the claim that shareholder-owned corporations should maximize shareholders' wealth; in general, they call for businesses to aim at serving all their stakeholders, or society as a whole ([Vranceanu, 2014](#)). The trust that builds between the managers and the governance structure can influence the trust the managers and other stakeholders have in

themselves and with their employees. An organization's leadership structure should emphasize a stakeholder orientation and trust managers to address ethical issues appropriately to increase trust among and between the participants in the organization (Müller et al., 2014).

Leaders in organizations involved in international operation must take cognizant of that fact that those in the driver's seat who determine the rules of the game may inadvertently ignore, disregard, or take for granted the power imbalances (Enderle, 2015). In the meantime, those affected could usually feel the impacts but have feeling that they have no say in changing them. It is emphasized that in international operations, corporations should respect the human rights of their stakeholders. Secondly, they should ensure their counterparties or vendors follow the same practice, not to violate human rights. Finally, they should not do business in countries where human rights violation is the norm (Enderle, 2015). These actions will conform to the view that business solves societal challenges to ensure the survival and development of humanity and that economic profits are just a milestone and not an end in themselves.

Personal Experience

There are four ethical perspectives as reported by Enderle (2014) in dealing with international clients on both a personal and country level (Enderle, 2015). The first view is of a foreign person or country, the foreigner has to adapt themselves to the host, and national borders are relatively impermeable in both directions – this is, “the when you are in Rome do what the Romans do” respectfully of course. The second is the empire type perspective where international relations is taken as a pure cross-national expansion of dominant domestic relations without significant modification. This point of view is the, forgot your primitive sensitivities, I have come to civilize you approach. From the host perspective, the perceived asymmetric power relationship often involves misunderstanding, exploitation, and repression. The third ethical view is the

interconnection type where each one keeps their values which are appropriated by both, but both have common unifying perspectives. The last view is the global ethical perspective that appreciates that there are universally expected moral values that each one has to adhere. In working with various clients at different times, I have had to make judgement calls on which perspective will make sense, and each person has to go through that process in international business. Do not unplug and do not insult a religion in foreign lands, morals and ethics are not universal, or yours are not superior (Holley, 2016).

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