



Business Ethics in decision making

* Dr. Poornima Tapas

* HOD-MBA, Indira Institute of Management, Pune

ABSTRACT

Business ethics focuses on identifying the moral standards of right and wrong as they apply to behavior within and across business institutions and other related organizations. Corporations sometimes behave unethically, having a harmful effect on people or the environment. Unethical behavior is typically not caused by a single "bad apple," but is a result of complex interactions between individuals, groups, and organizational cultures. Ethical behavior can be defined either as behavior that maximizes happiness and minimizes harm or as behavior that is motivated by principles of duty. While behaving unethically may have some short-term benefit for a company, in the long term it will harm stakeholder support. Long-term sustainability comes from concentrating on the triple bottom line: social, environmental, and financial performance.

Keywords: Business Ethics, Sustainability, Triple bottom line.

INTRODUCTION:

Ethics is one of the oldest disciplines, which studies morality. The term *ethics* was introduced by Aristotle, who thoughtfully remarked that ethics "helps to know what to do and what should be avoided". Modern ethics is first and foremost science that allows considering human relationships, as well as evaluates the behavior of people in terms of generally accepted norms. Business ethics is primarily negotiating with partners; ethical recordkeeping and using ethical methods of competition. Business ethics is considered to be the same for all businessmen across different countries. The ethics of a particular business can be diverse. They apply not only to how the business interacts with the world at large, but also to their one-on-one dealings with a single customer.

Businesses interested in making money are not wrong. It is the manner in which some businesses conduct themselves that brings up the question of ethical behavior. A business may be a multi-million seller, but does it use good business ethics and do people care? There are popular soft drinks and fast food restaurants that have been fined time and again for unethical behavior. If the company is making large amounts of money, they may not wish to pay too close attention to their ethical behavior. Many major brands have been fined millions for breaking ethical business laws. Companies have broken anti-trust, ethical and environmental laws and received fines worth millions. But the amount of money these companies are making outweighs the fines applied. Billion dollar profits blind the companies to their lack of business ethics.

COMMON ETHICAL PROBLEMS

Sometimes it is clear that a business has behaved unethically. For example, where a drug is sold illegally, the company accounts have been falsely presented, or where client funds have been embezzled. More common, are situations that pose an ethical dilemma—situations that present a conflict between right and wrong or between values and obligations—so that a choice is necessary. For example, we have a conflict between the benefits of wealth and job creation in a location where it is crucial but at the cost of spoiling some naturally beautiful countryside.

Given the increasing social impact of business, business ethics has emerged as a discrete subject. Business ethics is concerned with exploring the moral principles by which we can evaluate business organizations in relation to their impact on people and the environment. Trevino and Nelson (2004)

categorize four types of ethical problems that are commonly found in business organizations.

HUMAN RESOURCE PROBLEMS: These relate to the equitable and just treatment of current and potential employees. Unethical behavior here involves treating people unfairly because of their gender, sexuality, skin color, religion, ethnic background, and so on.

CONFLICTS OF INTEREST: Particular individuals or organizations are given special treatment because of some personal relationship with the individual or group, making a decision. A company might get a lucrative contract, because a bribe was paid to the management team of the contracting organization, not because of the quality of its proposal.

ETHICAL PROBLEMS THAT INVOLVE CUSTOMER CONFIDENCE: Corporations sometimes behave in ways that show a lack of respect for customers or a lack of concern with public safety: advertisements that lie about particular goods or services, or where a company conceals or obfuscates negative data about safety and/or efficacy.

ETHICAL PROBLEMS SURROUNDING THE USE OF CORPORATE RESOURCES: Employees who make private phone calls at work, submit false expense claims, take company stationery home, etc. actually are misusing company's resources.

There are financial scandals that have rocked the corporate world in recent years (Enron, WorldCom, Parmalat, Lehman Brothers, Satyam Saga, to name a few) have involved a number of these different ethical issues. In these cases, senior managers have engaged in improper bookkeeping, making companies look more financially profitable than they actually are. As a consequence the stockholder value of the company increases. Among those profiting will be those making the decisions to manipulate the accounts.

Another category which can be added to this list is problems surrounding the *use of the world's environmental resources*. Many organizations have externalized the costs associated with their negative impact on the environment. This means organizations do not themselves pay for the environmental costs that they create. For example, carbon dioxide emissions, are now recognized as contributing to global warming; computer equipment contains toxic waste that pollutes the

land where it is dumped; and packaging of all kinds, including plastic bags that are handed out by supermarkets, are creating mounting problems as local authorities run out of landfill sites. Ethical business takes this into account and offsets its "environmental footprint" so that it engages in sustainable activity. Sustainability broadly means that a business meets the needs of the present without compromising the ability of future generations to meet their needs.

ACCOUNTING FOR ETHICAL AND UNETHICAL BEHAVIOR

Although an individual's level of moral maturity or the locus of control are important factors, we also need to explore the decision-making context - the group dynamics and the organizational practices and procedures - to understand why an unethical decision was made.

Group dynamics influence the decision-making process. A particularly important group-level influence is groupthink; a phenomenon identified by Irving Janis (1982) in his research on US foreign policy groups. Individual members suspend their own critical judgment and right to question. As a result, they make bad and/or immoral decisions. Janis defines groupthink as "the psychological drive for consensus at any cost that suppresses dissent and appraisal of alternatives in cohesive decision-making groups". Organizational ethical climates differ; some are more egoistic, others are more benevolent, still others are highly principled, and these contexts can shape a manager's ethical decision-making.

WHY BEHAVING ETHICALLY IS IMPORTANT FOR BUSINESS?

Choosing to be ethical can involve short-term disadvantages for a corporation. Yet in the long term it is clear that behaving ethically is the key to sustainable development.

The behavior of corporations is under scrutiny from their various stakeholders - customers, suppliers, stockholders, employees, competitors, regulators, environmental groups, and the general public. People are less willing to keep quiet when they feel an injustice has been done, and the internet and other media give them the means to make their concerns very public, reaching a global audience. Corporations that behave unethically are unlikely to get away with it, and the impact when they are discovered can be catastrophic.

Many financial services companies in the United Kingdom generated short-term profits in the 1990s by miss selling personal pensions to people who would have been better off staying in their company's pension plan. However, in the long term these companies have suffered by having to repay this money and pay penalties. Most significantly, the practice has eroded public confidence. The same is true of many banks and mortgage brokers in the first part of the 21st century when they sold mortgages to individuals who could not afford to repay their debts. The eventual result was that large numbers defaulted, causing a meltdown in the global financial system beginning in 2008.

Corporations that harm society or the environment are actually harming their own employees, including those who are making the decisions. For example, corporations that pour toxins into the air are polluting the air their employees' families breathe. Ultimately, a business relies on its human resources. If a company cannot attract high-quality people because it has a poor public image based on previous unethical behavior, it will certainly flounder.

ROLE OF BUSINESS ETHICS IN DECISION MAKING

The primary role of business ethics is to hold a company and its employees accountable for their actions as they affect others. This includes both internal and external behavior. It keeps businesses and professionals mindful of the consequences of their actions so that they can pursue success responsibly.

One important role of business ethics is to manage behaviour that cannot be covered by governmental laws. There are many actions which, while they are legal, are also detrimental to certain groups such as employees, members of the community, and groups that are affected by the actions of a company. By having a code of conduct, a business can self-regulate its behavior and ensure that it is acting appropriately.

Another role of business ethics is to keep the business honest. While many unethical behaviors are not illegal, they can often lead to unlawful acts. Maintaining strong business ethics can also have an effect on the success of a company. By acting with sensitivity to others, a business can improve its profile in the community and industry.

Another role of business ethics is to ensure that the power wielded by large corporations is used to good effect. With a good code of conduct, a company can work to repair possible damage caused by its success and even work proactively to help others.

When making decisions, an ethical company will consider how its behavior will affect all individuals who have a stake in the business. The philosophy is that while it is legal for a company to act in its own best long-term interests, it is moral to also consider the needs of those who support it.

BUSINESS ETHICS IN FUTURE

Future will depend on what critical events will shape individual minds, politicize communities, horrify or inspire society in general. Even if these events are known, their impact on the field of business ethics would be difficult to predict. Who could have predicted the impact of the ethics triggers of the late 20th-century United States - Vietnam, Watergate, the Savings & Loan crisis, Challenger, etc? These were the result of flawed decision-making, individual hubris and unresponsive organizational environments. Thus there will be some combination of hopes and expectations for business ethics in the next few decades remembering what Shakespeare wrote, "Often expectation fails, and most often there where most it promises."

MAKING SUSTAINABLE ETHICAL BEHAVIOUR HAPPEN

1. Organizations should want to be ethical: Senior management has to get involved. They have to show desire and commitment - 'tone at the top' leading by example.
2. Gather the facts on what is the problem, and what are the potential solutions.
3. Define the ethical issues.
4. Identify the various stakeholders involved.
5. Set what is expected: Organizational values should be set and each one should live up to them. They should be clearly communicated to external as well as internal stakeholders.
6. Find out how things are working and make changes.
7. Think through the consequences of each solution.
8. Identify the obligations and rights of those potentially affected.
9. Every individual should check his/her gut feeling.

REFERENCES

Behrman, Jack N. (Jan 1988), Essays on Ethics in Business and the Professions, Prentice Hall Publication, N.Delhi | Chris Baker and Nina F Collins, Summary of business ethics, Chartered Institute of Business Auditors | Dr. Barbara Ley Toffler, Ethics in the New Millennium, International Business Ethics Review, a Publication of the International Business Ethics Institute, Volume 4, Issue 1 | George, Richard T. de (1999), Business Ethics, 5th Edition, Prentice Hall Publication, N.Delhi | "Just Good Business", The Economist, Special Report on Social Responsibility (Jan 19, 2008) | Thomas L. Wheelen, J.David Hunger, Concepts in Strategic Management and Business Policy toward Global Sustainability, 13th Edition, Pearson Education, Inc. | http://EzineArticles.com/?expert=Michael_Alexander_Newman | <http://EzineArticles.com/3024465> | <http://www.freud-sigmund.com/> |