

## **Midterm**

### **Governance**

#### **(2.1)**

#### **Business Ethics**

It refers to the set of moral principles that guides a company's conduct.

Business ethics is the study of appropriate business policies and practices regarding potentially controversial subjects including corporate governance, insider trading, bribery, discrimination, corporate social responsibility, and fiduciary responsibilities. The law often guides business ethics, but at other times business ethics provide a basic guideline that businesses can choose to follow to gain public approval.

#### **Understanding Business Ethics**

The concept of business ethics began in the 1960s as corporations became more aware of a rising consumer-based society that showed concerns regarding the environment, social causes, and corporate responsibility. The increased focus on so-called social issues was a hallmark of the decade.

Since that time period, the concept of business ethics has evolved. Business ethics goes beyond just a moral code of right and wrong; it attempts to reconcile what companies must do legally versus maintaining a competitive advantage over other businesses. Firms display business ethics in several ways.

#### **Why are business ethics important?**

First, it makes sure the company operates according to all applicable laws. Operating lawfully, whether on a local or national level, maintains the company's respect among its peers and potential clients or customers, and enables it to continue running.

Finally, a business that treats its customers or clients ethically builds trust with them, as well as an ongoing relationship.

Business ethics are important because they have lasting implications on several levels. With increased investor awareness on environmental, social, and governance issues, a company's reputation is at stake. For instance, if a company

partakes in unethical practices, such as poor customer privacy procedures and protections, it could result in a data breach. This, in turn, may lead to a significant loss of customers, erosion of trust, less competitive hires, and share price declines.

#### **(2.2)**

#### **Types of Business Ethics**

There are various types of business ethics. Both the nature of the company's business and where the company is located can affect which ethics it emphasizes. The following are some of the more common business ethics.

##### **1. Personal responsibility**

Each person who works for a business, whether on the executive level or the entry-level, will be expected to show personal responsibility. This could mean completing tasks your manager has assigned to you, or simply fulfilling the duties of your job description. If you make a mistake, you acknowledge your fault and do whatever you need to do to fix it.

##### **2. Corporate responsibility**

Businesses have responsibilities to their employees, their clients or customers, and, in some cases, to their board of directors. Some of these may be contractual or legal obligations, others may be promises, for example, to conduct business fairly and to treat people with dignity and respect. Whatever those obligations are, the business has a responsibility to keep them.

##### **3. Loyalty**

Both businesses and their employees are expected to show loyalty. Employees should be loyal to their co-workers, managers, and the company. This might involve speaking positively about the business in public and only addressing personnel or corporate issues in private. Customer or client loyalty is important to a company not only to maintain good business relations but also to attract business through a good reputation.

##### **4. Respect**

Respect is an important business ethics, both in the way the business treats its clients, customers and

employees, and also in the way its employees treat one another. When you show respect to someone, that person feels like a valued member of the team or an important customer. You care about their opinions, you keep your promises to them, and you work quickly to resolve any issues they may have.

## 5. Trustworthiness

A business cultivates trustworthiness with its clients, customers and employees through honesty, transparency and reliability. Employees should feel they can trust the business to keep to the terms of their employment. Clients and customers should be able to trust the business with their money, data, contractual obligations and confidential information. Being trustworthy encourages people to do business with you and helps you maintain a positive reputation.

## 6. Fairness

When a business exercises fairness, it applies the same standards for all employees regardless of rank. The same expectations with regard to honesty, integrity and responsibility placed upon the entry-level employee also apply to the CEO. The business will treat its customers with equal respect, offering the same goods and services to all based on the same terms.

## 7. Community and Environmental Responsibility

Not only will businesses act ethically toward their clients, customers and employees, but also with regard to the community and the environment. Many companies look for ways to give back to their communities through volunteer work or financial investments. They will also adopt measures to reduce waste and promote a safe and healthy environment.

### (2.3)

## THE CONCRETE APPLICATION OF ETHICAL PRINCIPLES TO BUSINESS

### INTRODUCTION

Ethical principles can be a part of any ethical system. They will always be formulated within the context of

the ethical goods and values that are identified in the particular system. Their rankings relative to each other may also be determined by the ethical system.

In any situation a number of the ethical principles intersect. On occasion they will conflict. When conflict occurs it is necessary to examine each principle to determine how it arises in the particular set of circumstances. When such conflict occurs, the principles will have to be balanced against each other and a decision will ultimately have to be made about which principle(s) governs the case.

- Business practices are not always governed by a single principle. Often several principles will govern the decision to be made by providing mutual support.

### I - TOWARDS THE EMPLOYEE

Provision of fair opportunities in promotions and training, good working conditions, and timely payment of salaries.

#### Treating Employees Ethically

Ethical treatment of employees covers everything from paying them fairly to providing work conditions that do not harm them physically or mentally

Although large retailers such as McDonald's and Walmart have reputations for earning exorbitant profits but failing to pay employees a decent wage, the typical small business owner will be rewarded for treating employees fairly by earning their loyalty and their hard work.

- Inhumane work conditions are not only unethical but also bad for business, creating a company culture of distrust and potentially leading to expensive lawsuits.
- How do you think employee ethics impact your organization?

What are the benefits of investing in employee ethics? Those who have done so see a strong correlation between ethics and performance.

"We' ve seen firsthand the pride and sense of accomplishment teams have when this work is complete, and many ideas begin to percolate about how to use them to strengthen their business,"

Chief Learning Officer  
Kristen Kellner  
KMA Human Resources.

"Employee ethics provide a template for how employees should behave, act, and conduct them

selves at the workplace. Employees are made well aware of how they should behave professionally at all times. This creates an environment of professionalism at the workplace which is beneficial to everyone at the company,"

Bianca Somoza  
HR Manager, Gulf & Basco.

A corporation engaged in downsizing may take extra steps to find employment for its laid-off workers or retrain them to give them a competitive advantage in seeking future employment

Employees also have a responsibility to act ethically in the workplace.

Trust between an employer and his employees depends on the willingness of employees to do work that is commensurate with their level of pay.

They should also continue doing high-quality work, even when they are not being closely watched.

Ethical employee behavior also involves refraining from stealing, either by pocketing money or products, or by claiming to work hours when they were actually doing nothing.

### **Examples of Ethical Behaviors in The Workplace**

- Obey The Company' s Rules & Regulations
- Communicate Effectively
- Develop Professional Relationships
- Take Responsibility
- Professionalism/Standards
- Be Accountable
- Uphold Trust
- Show Initiative without being told
- Respect Your Colleagues
- Work Smarter

- **Obey The Company' s Rules & Regulation**
- At the start of an employee contract, companies may need the employee to sign various documents, including the company rules and regulation agreement form. Also, the employee may be given a handbook that may serve as a guide.
- Some common rules are tardiness, inappropriate dressing, and language, etc. Due to the excitement of getting a new job, some employees do not properly read these rules and may end up deferring them in the future.
- Therefore, it is important that new employees properly read these rules & regulations in order not to defer them.

### **Communicate Effectively**

- Effective communication is very important to avoid misunderstandings when dealing with issues in the workplace. Communicating effectively may mean different things to people at different points in time.
- Let us consider the hypothetical situation of an employee trying to relay information to a French-speaking customer. The best way to communicate effectively with the customer is to have an employee who can speak French relay the information.
- Effective communication may also have an employee breaking one of the rules and regulations of the company without getting penalized for it. An employee reaching out to HR that they will be coming in late due to some unforeseen circumstances may be spared for coming late if the situation is properly communicated.

### **Develop Professional Relationships**

- Good professional relationships are not only a thing that fosters teamwork among employees, but also help with individual career development for employees. Developing professional relationships with coworkers or other professionals outside the workplace will also directly or indirectly improve productivity.
- Professional relationships between low-level and high-level employees will make it easier for ideas

to be shared and knowledge to be passed to junior employees. That way, the company can confidently have an intern work on a tough project to meet a pending deadline due to the guidance from older employees.

- Salespeople, for one, need to build external professional relationships with professionals from other organizations—especially those who are potential clients. These relationships will help create a contact person in another organization in case they need to sell a product to them.

- **Take Responsibility**

- It is important for employees to always take responsibility for decisions made both individually and in a team. This is, in fact, a leadership trait that every employee who is looking to take up a managerial position in the future should exhibit.
- For example, the communications team came up with a marketing strategy for the company and it failed. The team members are to jointly take responsibility for this failure, not individuals coming out that they weren't part of the decision making process.
- If the strategy has gone the other way round, they wouldn't have said the same.

- **Professionalism/Standards**

- There are professional standards that everything an employee does in the workplace. The use of informal words in a formal workplace is highly unprofessional.
- These standards should be held high and applied to every part of an employee's activity in the workplace. This should include the way they speak, kind of work they deliver and their relationship with coworkers and customers.

- **Be Accountable**

- Accountability is also a very good trait of an employee. One of the things that may short change a talented and responsible is the lack of accountability.
- Lack of accountability may result in your boss thinking you have an "I don't care attitude" to the company's project or worst take you as a liar and

may lead to job loss in the long run. For example, at the beginning of each year, a certain amount of money is allocated to each department.

- The manager is meant to oversee how this money is spent. If at the end of the year, the manager can not make an account of how the money was spent, he may then be suspected of stealing company funds.

- **Uphold Trust**

- An employee should not do anything that may make his or her employee withdraw trust. As an employee of a company, your employee trusts you to get work done perfectly on time.
- Things like missing deadlines regularly or delivering work that needs to be revised over and over again will deny you a promotion. It may even leave the employer not giving you tasks to complete in the future—a nightmare for freelancers.

- **Show Initiative without being told**

- Is the company running behind deadline and you feel you can stay a few extra hours after work to finish up? Do it.
- You are a freelance designer and your client wants a particular poster designed but doesn't have a copywriter to write the content. If you can write the contents, do so. Don't delay a client's work because of a few contents.

- **Respect Your Colleagues**

- It doesn't matter whether you are dealing with the intern, a junior, janitor, etc. they should all be treated with respect. As a manager, treating your team members with respect will help improve their productivity.
- Giving constructive criticism and saying kind words to them even when they are not able to deliver perfectly will help them strive to do better in the future.

- **Work Smarter**

- Don't just work hard, work smarter. The reason why you see an employee promoted to the post of manager after just 2 years and a hardworking

employee who has been with the company for 10 years failed to get a promotion is smart work.

- Assume that these 2 employees are data scientists who collect data and analyze them. A smarter employee will use the Formplus data collection tool to collect data and receive real-time data analytics, while a hard-working employee will print paper-based forms and do the hard work of sharing it to respondents.

## II - TOWARDS THE CUSTOMERS

- Complete information of the service and product should be made available. Personal information of the customers should not be used for personal gain.

Since there is such a vast array of products and services available for consumption in the contemporary marketplace, consumers need extensive information to be able to make good choices. They also need the opportunity to be clear about the values that drive their decisions.

The most fundamental or essential ethical issues that businesses must face are integrity and trust.

- A basic understanding of integrity includes the idea of conducting your business affairs with honesty and a commitment to treating every customer fairly. When customers think a company is exhibiting an unwavering commitment to ethical business practices, a high level of trust can develop between the business and the people it seeks to serve. A relationship of trust between you and your customers may be a key factor in your company's success.

A business has a responsibility to treat its customers ethically. This involves:

- financial honesty
- providing products or services that are worth their price
- financial honesty, such as giving customers correct change, and graciously refunding their money if they are dissatisfied. It also involves providing products or services that are worth

their price. The relationship between a business and its customers is also based on an unstated covenant that the business will do everything possible to avoid unnecessarily putting its customers at risk or danger, such as an automobile manufacturer that must make sure the brake systems in its cars work effectively.

- **Truth-in-Selling**

When an organization markets a product or service, they are obligated to deliver what was promised to the customer.

Whether it is a television ad or a print ad in the newspaper, the product described should be what is delivered to the customer.

- **Customer Service Integrity**

Service after the sale is what service integrity is all about.

- **Product Integrity**

This is when public perception and brand recognition come in to play. When we chose our home-builder it was because they were one of the largest in our area.

- **Consumerism.**

There are four basic rights that corporations owe to the public, namely, safety, full information, choice, and redress.

For example, cigarette advertisements focus on images at the expense of information creating ignorance on the harmful effects of nicotine for many years until the appropriate laws were passed.

## III - TOWARDS THE COMPETITORS

- Competition among service providers is not unethical.
- When handled properly, competition can lead to positive growth and continued improvement in the quality of services delivered.
- It is incumbent on the individual to be aware of legal requirements that guide competition and practice management in the marketplace.
- It is essential that the quality of services to clients not be adversely affected by competition for the opportunity to provide those services.
- One of the primal ethical responsibilities of a company should be that it doesn't deliberately

incur losses to out sell their competitors, especially in order to gain monopoly.

- This is detrimental to capitalism itself as it deprives the consumer of their right to choose the better produce.
- To sum it up, a company should have a neutral portfolio that provides for the free market in a fair and just manner, instead of depriving it of its liberty

#### **IV - TOWARDS THE GOVERNMENT**

- Rules and regulations regarding taxes, duties, restrictive and monopolistic trade practices, and unlawful activities like corruption and bribing should be adhered to.
- Business ethics are moral principles that direct the way a firm works.

They may be expressed in:

- Legislation
- International agreements
- Company codes of practice
- The government' s role is to frame the laws, agree global standards and represent the public interest where this is affected by the company' s operations.
- However, governments always have to strike a balance. Global financial collapse throws conflicting priorities into relief.
- For example, could intervention end in protectionism, which restricts growth? Could it stifle entrepreneurship, which drives growth in free-market economies?

#### **V - TOWARDS THE ENVIRONMENT**

- Polluting industries should ensure compliance with the government norms regarding air, water and noise pollution.
- **Environmental ethics** is the philosophical discipline that considers the moral and ethical relationship of human beings to the environment. In other words: what, if any, moral obligation does man have to the preservation and care of the non-human world?

- Environmental ethics, along with human values, make for challenging philosophical debates about man's interaction with the environment.
- Water and air pollution, the depletion of natural resources, loss of biodiversity, destruction of ecosystems, and global climate change are all part of the environmental ethics debate.
- For example: Is it acceptable for poor farmers in undeveloped countries to cut down forest to make room for farmland, even if this action harms the environment?
- For example: Is it morally wrong for humans to continue to burn fossil fuels knowing that this action leads to air pollution and global climate changes?
- Is it ethically permissible for man to build a hydroelectric dam knowing that this will disrupt the migration pattern of certain fish, leading to their extinction? Does a mining company have a moral obligation to restore the natural environment destroyed by their mining techniques?

#### **Two Kinds of Environmental Ethics**

##### ***1. Anthropocentric environmental ethics***

- that is, people centered. We do not want to cause pollution or destroy things because of the value these may have to humans, in terms of either public health or quality of life.

##### ***2. Intrinsic value***

- one that recognizes all of the above concerns but also places a value on the environment, including animals, plants, and places.