

Business Values and Ethics

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Introduction

Values and ethics in simple words mean principle or code of conduct that govern transactions; in this case business transactions. These ethics are meant to analyse problems that come up in day to day course of business operations. Apart from this it also applies to individuals who work in organisations, their conduct and to the organisations as a whole.

We live in an era of cut throat competition and competition breeds enmity. This enmity reflects in business operations, code of conduct. Business houses with deeper pockets crush small operators and markets are monopolised. In such a scenario certain standards are required to govern how organizations go about their business operations, these standards are called ethics.

Business ethics is a wider term that includes many other sub ethics that are relevant to the respective field. For example there is marketing ethics for marketing, ethics in HR for the Human resource department and the like. Business ethics in itself is a part of applied ethics; the latter takes care of ethical questions in the technical, social, legal and business ethics.

Reference: <https://www.managementstudyguide.com/values-ethics.htm>

Case Scenario I

You have been running a business for many years. Over a period of time you have a very good corporate image in the market. But unfortunately since the last two years your firm is passing through a crisis. Your business is suffering from heavy losses. You are planning to wind up your business. Meanwhile one big corporate house has announced a big corporate deal through auction. You have also decided to take part in that deal as it will be a last option for you to save your business. On the day of the auction, so many companies have participated in this bid. Committee would declare the result after lunch break. You found the closed envelope of your competitor's bid during lunch break.

a) Will you be ethical in this situation? If yes how? And if not! Why?

b) If you are ethical, how you will survive your business.

a) Yes, I will certainly be ethical in this situation, I have been running a business for many years and possess a very good corporate image in the market. I do not want to jeopardize this history and do want to keep this good corporate image.

I will wait for the Committee to declare the result after lunch break, ignore the closed envelope of my competitor's bid and make the right ethical choice and liquidate the business, sell off stock, pay off creditors, and distribute any remaining assets to partners or shareholders, that is the worst case scenario.

b) By being ethical, I might be able to survive my business, by taking a part in the auction deal and partnering with the new shareholder/s and changing my management / thinking style...

Business owners like myself who are seeing their sales and profits plummeting, the future might look bleak. What I can do to survive through stormy economic times is:

Keeping a business afloat in difficult times is often challenging. However, since many small businesses also come with very passionate owners, some simple attention to detail can help ensure that a business sails right on through to calmer and more prosperous economic times.

Unfortunately, there is no set playbook to follow to "right the ship." Every business is different, and each carries unique risks and rewards. These differences make copying another company's turnaround strategy to the letter unrealistic.

Still, there are some general strategies business owners can follow to help stop taking on water and start bailing themselves out.

Keeping a small business afloat in challenging times can be difficult, but extra attention to detail can help ensure that a business survives.

Because every small business is different, and each carries unique risks and rewards, there is no set playbook to follow to "right the ship."

Some useful advice that applies across small businesses includes: looking at the big picture, inventorying the staff, making sure the business has ready access to cash, sweating the small stuff, and avoiding a sacrifice of quality.

Understanding 5 Ways to Keep my Business Going in Hard Times

1. Look at the Big Picture

People have a tendency to attack the most obvious problems with vigor and without hesitation. That's understandable, and perhaps the approach makes good business sense in some situations. However, it is also advisable to look at the "big picture" to make a positive and lasting change.

It's an opportunity to better comprehend the size and scope of existing problems and further understand a company's business model—determining how its strengths and weaknesses come into play.

For example, suppose a small business owner discovers that two employees are consistently making mistakes with inventory that cause certain supplies to be over- or under-stocked.

While an initial reaction may be to fire those employees, another approach might be to examine whether the manager who hired and supervises them has properly trained these employees, or if the manager is the real problem. Just like in investing, by looking at the issue from a top-down perspective it is possible to reduce or eliminate the chance that these problems will occur again.

So a manager might fire the two error-prone employees, or perhaps even the manager, without a second thought. This might damage the business, however, if the manager's relationships with existing clientele have a history of bringing in repeat business and substantial revenue. Some simple training for that manager might be a better alternative than termination.

Taking a top-down approach and understanding the true problems holding your business back will help you understand the company's strengths as well as its weaknesses, and prevent change from adversely impacting future sales.

2. Take an Inventory of the Staff

Payroll is often one of the top costs a small business owner has, so making sure the money is well spent makes sense. This may involve a thorough review of the staff—both when a problem arises, as well as during the normal course of business—to make sure the right people are on-board and doing their jobs effectively.

Both small business owners and large corporations tend to be "penny wise and pound foolish" when they hire the least expensive workers. Sometimes, the productivity of those workers may be suspect.

Hiring one worker who costs 20 percent more than the average worker but who works 40 percent more effectively makes sense, particularly during periods of crisis. By constantly seeking resumes and interviews from new people, business owners can make changes to staff when needed to increase efficiency.

3. Ensure the Business Has Access to Cash

Small business owners should take steps to ensure that the company has access to cash, particularly in periods of crisis. Visiting a bank loan officer and understanding what's required to obtain a loan is a good first step, as is opening a line of credit in advance to fund possible short-term cash flow problems.

Small business owners should have other potential sources of capital lined up as well. This might include tapping into savings, liquidating stock holdings, or borrowing from family members. A small business owner must have access to capital or have a creative way to obtain funds to make it through any lean times.

4. Start Sweating the Small Stuff

Although it is important to keep an eye on the big picture, a small business owner should not overlook smaller things that may have an adverse impact on the business.

A large tree obstructing the public's view of the business or the company's signage, inadequate parking, lack of road/traffic access, or ineffective advertising are examples of small problems that can put a big dent in a business's bottom line.

Considering and analyzing the numerous factors that bring customers in the door can help to identify some problems. Going through your quarterly expenses line-by-line may also help. Owners should not be checking for one-time expenses here (as these items were most likely necessary charges). Instead, owners should look for small items that seem innocent but are actually draining the accounts.

For example, items like office supplies quickly get out of hand if ordered improperly. Similarly, if your supplier increases product prices, you should consider looking around for a cheaper supplier.

5. Don't Sacrifice Quality

If the problem is an issue with product quality, then it makes sense to attack it head-on. It also makes sense to stay on the offensive and get employees on board with changes that are being made. However, owners should be cognizant of not sacrificing quality when making these product changes.

Business owners seeking to improve margins on a particular product should be wary of making dramatic changes to particular components. For example, if a pizzeria is going through a dry spell, the owner could seek to expand margins per pie by purchasing cheaper cheese or sauce ingredients.

However, the strategy could backfire if customers become dissatisfied with the taste (quality) of the pizza and sales decrease. The key is to make cost and other cuts while retaining or improving the quality of the finished product.

Reference: <https://www.investopedia.com/articles/pf/09/keep-small-business-afloat.asp>

Case Scenario II: Discrimination in the Workplace

Marian, a top graduate from Loyola in Humanities, was hired by a major corporation into a management position. Marian finished the corporation's management training program top in her group, and is performing above the norm in her position. She is really enjoying her work.

As a woman she feels isolated, as there are no other women managers and few women in her area. One night at a company party she heard a conversation between two of her male co-workers and their supervisor. They were complaining to him about Marian's lack of qualifications and her unpleasant personality. They cursed affirmative action regulations for making the hiring of Marian necessary.

Marian is very upset and wants to quit.

Questions:

- a) Should Marian quit?
- b) Are her co-workers correct in their evaluation?
- c) Should Marian confront the co-workers?
- d) Should Marian file a discrimination suit?
- e) Should Marian go to the supervisor?
- f) What else could Marian do?

a) In my opinion, Marian should not quit, she should ignore her two male co-workers and their supervisor's gossip, it did not officially take place. I personally understand it is not pleasant or easy, but I would reassure Marian that it happens all the time and everywhere...

b) Marian's co-workers are not correct in their evaluation based on the facts in the scenario, a top graduate from Loyola in Humanities, was hired by a major corporation into a management position. She finished the corporation's management training program top in her group, and is performing above the norm in her position. She is really enjoying her work.

She just feels isolated, as there are no other women managers and few women in her area, but that is not affecting her performance as previously mentioned.

c) Marian could confront her co-workers and states that she heard them at the company party talking about her and that she doesn't appreciate the gossip.

This will get it off her chest and make them realize that she is aware and maybe it will stop.

I personally encourage the confrontation as long as it is done in a calm and objective manner.

d) Based on the confrontation result , if it ended with a mutual agreement to move on and start fresh, maybe also with an apology from co-workers, Marian should not file a discrimination suit.

But if it continues further and co-workers make her feel uncomfortable at the workplace, Marian should take this matter to Human Resources department and file a discrimination suit.

e) Yes she should go to the supervisor as well and state facts of what she heard and express how she feels, again, professionally, in a calm manner with no emotions involved.

It makes all the difference with "how" it is done.

f) Marian has three options in my opinion:

- To stay at work and try to co-exist with her co-workers, and I am pretty sure that things will ease and they will get tired of gossiping especially if she can ignore them.
 - If they do not stop the unprofessional behaviour and stop gossiping, she can file a discrimination suit with HR or take legal action by hiring a lawyer.
 - She can quit as a last option if she feels that this job and environment is not worth the mental suffering.
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Case Scenario III: Employee Absence

Joan, an employee of Great American Market, was warned about her excessive absenteeism several times, both verbally and in writing. The written warning included notice that "further violations will result in disciplinary actions," including suspension or discharge.

A short time after the written warning was issued, Joan called work to say she was not going to be in because her babysitter had called in sick and she had to stay home and care for her young child. Joan's supervisor, Sylvia, told her that she had already exceeded the allowed number of absences and warned that if she did not report to work, she could be suspended. When Joan did not report for her shift, Sylvia suspended her for fifteen days.

In a subsequent hearing, Joan argued that it was not her fault that the babysitter had canceled, and protested that she had no other choice but to stay home. Sylvia pointed out that Joan had not made a good faith effort to find an alternate babysitter, nor had she tried to swap shifts with a coworker. Furthermore, Sylvia said that the lack of a babysitter was not a justifiable excuse for being absent.

Questions:

- a) Was the suspension fair?
 - b) Did Sylvia act responsibly?
 - c) Should Joan be fired?
 - d) Should the babysitter be fired?
 - e) Was Sylvia fair in her actions?
 - f) Is there ever a solution for working mothers?
 - g) Should working fathers take turns staying home?
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- a) Joan already has enough warnings, both verbal and written . So yes, the suspension was more than fair, she should take ownership / responsibility for her actions , she did not inform prior to not attending her shift or try to swap shifts with her co-worker. She has this unprofessional and unethical habit as per the scenario.

- b) Yes she did. Sylvia is doing her job ethically as a supervisor and following correct procedures placed by the management.
 - c) Yes , in my opinion, Joan should be fired, otherwise the co-workers will take the matter lightly and might behave in the same manner which is bad for business. An example should be made on the seriousness of rules and regulations.
 - d) It is up to Joanne, it is her personal life, she should manage it as she sees fit.
Nothing to do with the scenario . It is about absenteeism in the workplace.
But if I have to give my personal opinion believing Joanne's version of the story, yes, she should replace the babysitter with a reliable one. (same with Joanne, she should be reliable)
 - e) Yes she was fair in her actions. Sylvia told Joanne that she had already exceeded the allowed number of absences and warned that if she did not report to work, she could be suspended. When Joan did not report for her shift, Sylvia suspended her for fifteen days which in my opinion was a little lenient.
 - f) Yes, many solutions: reliable nannies from reputable agencies, daycare centers , nurseries and schools.
Planning in advance, constant honest communication with employers...
 - g) In my personal opinion, yes , fathers should take turns. we are in a modern age, and there is definite equality between men and women when it comes to parenthood. Also, when we talk about work, women are as capable as men with jobs, some exceed men actually with potential and intelligence. So, definitely yes, fathers should help , I know I did with raising our two children.
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Case Scenario IV

Sandoz Nutrition Corporation is a subsidiary of the Swiss pharmaceutical giant, Sandoz Ltd. Sandoz, based in Minneapolis, Minnesota, began manufacturing Optifast 70, a liquid meal-replacement weight loss program in 1976. The six month program is designed for people who are at least 30 percent or 50 pounds over their ideal weight. Health problems often accompany excessive weight. Optifast provides an opportunity to get rid of the weight fast.

The Optifast program is only available through doctors, hospitals, and medical clinics; a prescription is required to purchase the products. The Optifast program typically begins with the patient being placed on 420 to 800 calorie diet per day of liquid protein for 12 to 16 weeks. Calorie intake is then increased to 1000 or 1200 calories per day for the remainder of the program. The total cost is between \$1400 and \$2800. Optifast sales grew slowly following its introduction as the medical community and consumers became aware of the program. Sales continued to build slowly until mid November 1988. Then Oprah Winfrey announced on her TV talk show that she had lost 67 pounds using Optifast. She appeared on the program in size 10 jeans to prove her point. Here was a celebrity endorsing Optifast without being asked for or paid! Within hours Sandoz received more than 200,000 phone inquiries about the Optifast diet program.

The firm does not publish sales figures, but they forecasted a sales increase of from 25 to 30 percent during the six weeks following Oprah's announcement. In 1989 Sandoz launched a print advertisement program, mostly in professional journals. Its promotional brochure and ad claims included: (1) "The one that's clinically proven safe and effective" and (2) "You can call the Optifast program today, and have all you need to control your weight for the rest of your life." Unfortunately for Oprah, she regained 17 pounds during the first year after she completed the Optifast program. Studies at the University of Pennsylvania suggested that people who undertake quick weight loss programs such as liquid diets are likely to experience weight rebounds. Studies at the University of Michigan indicated that as many as 90 percent of dieters regain weight within five years after losing it. Liquid diets have also been linked with dizziness, headaches, nausea, gallbladder problems, and irregular heartbeat. Thus, there appears to be some difference between claims and use experience.

Questions:

- a) Were any ethical norms or principles violated by Sandoz?
 - b) Are liquid diet products ethical products? Justify your answer
 - c) What moral responsibility might Sandoz have considered when developing its promotion messages for the customers?
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- a) Yes Sandoz has violated the ethical norms or principles by launching an advertising program which is exaggerating in nature. The promotional brochures are misleading the customers and putting false results. However, Oprah was impressed with the product results, she personally endorsed without being asked.

b) All Liquid diet products have supplements. These supplements are not regulated like food. Some of them have harmful ingredients that are not listed on the label, such as lead. When used long term, nutritional deficiencies could occur if the supplement does not have all of the nutrients necessary or if the nutrients that it claims to have are not really in there. Our bodies were designed to chew and digest whole food, and if there is not a good reason why you cannot do this, a liquid diet is risky. So I would say most Liquid diet products are unethical.

However, products that clearly mention to consumers that it should be used for a few days only as a “jump start” to weight loss or consumed by people who cannot chew (for medical reasons) are ethical.

c) As mentioned in the scenario, studies at the University of Pennsylvania suggested that people who undertake quick weight loss programs such as liquid diets are likely to experience weight rebounds, such as Oprah.

Studies at the University of Michigan indicated that as many as 90 percent of dieters regain weight within five years after losing it. Liquid diets have also been linked with dizziness, headaches, nausea, gallbladder problems, and irregular heartbeat. Thus, there appears to be some difference between claims and use experience.

Sandoz should consider ethics when developing its promotion messages for the customers. It should be transparent and share all the above risks with its customers.

Yes it is not the best for quick growth / sales, but in the long run, it will have a loyal customer base and be reputable for being ethical and honest , and sales will become even greater than having a lot in the beginning and losing them afterwards.

Ethical & honest advertising / slow but steady sales / build good reputation / success with integrity !

Reference: <https://www.healthline.com/health/liquid-diets-theres-a-healthy-way#4>

Case Scenario V

Arthur Edward Anderson (1885-1947), the founder of Arthur Anderson & Co. must have turned in his grave in 2001, as the auditor firm founded by him became a synonym for scandal in the accounting profession. On 15th August 2001, Sherron Watkins, an employee of Enron, questioned the company's accounting practices, in a single-page letter to its CEO. Enron, the energy giant that ruled the world, and its auditor Arthur Anderson & Co., became the ridicule of the world. In early 2002, the US Justice Department began criminal investigations into Enron's bankruptcy. In 2002, Arthur Anderson was convicted by the lower and appellate courts for obstruction of justice. The firm had worked hand in glove with Enron and cooked its account books. The audit firm that once had an 85,000 strong workforce, now had closed offices and business interests around the globe. The firm's name is so tarnished that there is no other business going on in it, other than attending to over a hundred civil suits.

Questions:

- (a) What do you think can be the outcomes of an accounting fraud to the society and business at large?
 - (b) Why do you think that the history of accounting fraud repeats itself, such as so many frauds which we have heard after the Enron scandal?
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- a) Fraud can have a substantial impact on a business, no matter what size it is. The two most basic types of fraud are misappropriation of assets by employees and fraudulent financial reporting by management, whereby misleading or inaccurate financial information is disseminated to investors, stakeholders and

the public. The first type of fraud often happens without management knowledge, and the second type is often unknown to employees. Both can devastate a company.

The outcomes of an accounting fraud to the society and business at large:

- Financial Loss :

Financial loss is an obvious effect of both types of fraud. When someone misappropriated company assets, the loss is fairly easy to quantify. For example, if a cashier takes \$60 from the cash register, the company loses \$60. The costs of fraudulent financial reporting are harder to determine. If a small-business owner perpetrates financial statement fraud, an explicit dollar figure might not be obvious. However, fines assessed for misleading investors, civil suits to recoup investor and creditor losses and the unwillingness of companies to extend credit to the business in the future all add up to a severe financial loss for the company.

- External Confidence :

Once a fraud has been uncovered, the company faces an ongoing problem of public trust in the organization. While a small business scandalized by fraud might never be the victim or perpetrator of another fraud, its public image might be irreparably tainted. As a consequence, the company may have to pay a higher price for credit, may be refused membership in trade associations or might not be considered for a strategic alliance.

- Company Morale :

The effect of fraud on a company's culture and morale can be shattering. Any association with a company that has perpetrated or suffered fraud can be troubling and embarrassing for the people who work there. This may be especially true in a small-business setting where workers feel more connected with one another. Even if employees leave the company, they may carry an association with a fraudulent company into their next place of employment, even if they were not involved with the fraud at all.

- Increased Audit Costs :

Small businesses that are subject to audit and have experienced fraud, especially if the fraud was perpetrated by company management, are likely to be assessed as a high audit risk. That means auditors will more closely scrutinize company books before signing off on a company's financial statements. When an auditor is required to perform

more procedures, the cost of the audit will increase. This can often be mitigated by demonstrating that the offending managers or employees have left the company and the company has instituted strict procedures to thwart future attempts at fraud.

- b) Human behavior , fraud (wrongful or criminal deception intended to result in financial or personal gain), not learning from history ...

Reference: <https://smallbusiness.chron.com/fraud-hurts-organization-58563.html>

End of assignment

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