

MODULE 3

PHILOSOPHIES

INFLUENCING OUR

BUSINESS PRACTICES



Introduction

Businesses do not operate randomly; they follow certain philosophies and principles

These philosophies influence how businesses:

Make financial decisions

Treat people inside and outside the company

Balance profit and responsibility

Understanding these philosophies helps explain why companies behave differently



Business Philosophy

A business philosophy refers to the set of beliefs, values, and principles followed by a business

It serves as a guide in:

Financial planning

Investment decisions

Daily business operations

It reflects what the business considers important and acceptable



Shareholder Wealth Maximization

This philosophy focuses on maximizing the value of shareholders' investments

Management aims to increase:

Company value

Stock price

Returns to shareholders

Financial decisions consider profitability and risk

Often applied in corporations with many investors



Stakeholder Theory

Businesses have responsibilities not only to shareholders but to all stakeholders

Stakeholders include:

Employees

Customers

Suppliers

Creditors

Government and local community

Decisions consider the long-term effects on these groups

Encourages sustainable and ethical business practices



Profit Maximization Philosophy

The main objective is to achieve the highest possible profit
Businesses focus on:

Increasing revenues

Reducing costs

Improving efficiency

Profit is necessary for business survival and growth
However, excessive focus on profit may lead to ethical issues if
not balanced



Principles of Business Ethics

Honesty – Being truthful in all transactions and communications

Integrity – Consistently acting according to moral and ethical principles

Fairness – Treating stakeholders justly without favoritism or discrimination

Accountability – Taking responsibility for actions and decisions

Transparency – Open and clear disclosure of information



Ethical Issues in Business

Fraud and corruption – Misrepresenting financial data or bribing officials

Discrimination – Unfair treatment of employees or customers

Exploitation – Taking advantage of workers or communities

Environmental neglect – Ignoring sustainable and safe practices

Conflict of interest – Personal interests interfering with professional duties



Sustainability Philosophy

Sustainability focuses on long-term business continuity

Businesses aim to meet present needs without harming future generations

Emphasizes balance among:

Economic performance

Social responsibility

Environmental protection

Supports stable and responsible growth



Conclusion

- **Business ethics ensures businesses do what is right while pursuing profit**
- **Ethical practices are vital for long-term success, reputation, and stakeholder trust**
- **Combining ethics with CSR and sustainability creates a responsible and successful business environment**



THANK YOU

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