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Study Report

Business Ethics and Social Responsibility

Introduction:

On June 28, 2016, Volkswagen agreed to pay a settlement of $15.3 billion, the largest auto-related consumer class-action lawsuit in the history, on account of being charged with violation of Clean Air Act. The Volkswagen emissions scandal has brought **business ethics** to the forefront of the global news agenda and into public consciousness.
Simply put, ethics involves learning what is right or wrong, and then doing the right thing - but "the right thing" is not nearly as straightforward as conveyed in a great deal of business ethics literature. Most ethical dilemmas in the workplace are not simply a matter of "Should Raj steal from Ram?" or "Should Raj lie to his boss?" Many people think that business ethics, with its continuing attention to "doing the right thing," only asserts the obvious ("be good," "don't lie," etc.) and so these people don't take business ethics seriously. For many of us, **these principles of the obvious can go right out the door during times of stress.**

Business is an activity of making, buying, selling, or supplying goods or services. Dated back to Code of Hammurabi some 4,000 years ago, Business Ethics is a study of ethical issues pertaining to the conduct of business professionals such as corporate social responsibility, stakeholders or occupational health, whose main aim is to define and examine the responsibilities of businesses and their agents as a part of the general moral environment of a given society.

The products of this field of research are sets of rules and codes of conducts, which serve as a means of protection from the possible infringements of moral codes as a result from the general activities and responsibilities of a firm to its stakeholders (generating profits for shareholders and taxes to the government).

The Rationale behind Business Ethics:

In its simplest sense, the field of business ethics represents the meeting point between ethics and business, where business decisions and their implementation are evaluated in terms of the “right” (moral) and “wrong” (immoral). However, ethical decision-making is far from being simple, as is involves much greater complexity and debate than other ethical fields, even complicated ones such as bioethics. The main reason for this confusion is not only the themes of business ethics, but the difficulty to recognize the relevance of ethics to the business decision in question. For example, corporate governance standards are closely related to ethics, but the weight of the latter in the spectrum of this field (which also involves financial, legal and other issues) is not always clear, especially when ethical standards collide with other customs.

Thus**, it is better to define business ethics through the types of responsibilities it does, not deal with.** That is, instead of suggesting “the best one way” of e.g. corporate governance, the business ethics will emphasize the moral underpinnings of the matter and will support the decisions and actions only from those perspectives. Finally, ethics differ from law by the sense that not everything that is legal is also moral. For instance, although it is legal for a company to pollute to environment to some extent, many would argue that pollution is inherently immoral and hence unethical.

Business Myth and Metaphors:

- Business ethics has been at a disadvantage compared to other applied areas like medicine and law. It is because businessman do not seem to enjoy professional status and their motives are not highly thought of. Their work has appeared to be **"greed-driven"** instead of "**need-driven**", moving on to being "**heed-driven**".The talk of '**profit motive'** has been the cause of confusion and underserved attack on business as mercenary.
  It should rather be emphasized that a business supplies goods and services, provide jobs and aids community development, in addition to making profit. 'Profit' are not the end or goal of business. They are a mean of building the business and rewarding employees. Besides profit gets distributed and reinvested.
- The second criticism has been that the managers are bound by the one and only obligation, i.e., **to maximize the profits** for their stockholders. It is an oversimplification to say that investors and owners care only about the maximization of their profits.
  This is too narrow view of business which leads to the thinking that business is amoral.
- Many myth have been raised about it like 'It is a jungle out there' and only the Darwinian concept of **"Survival of the fittest"** would work in the field. Such macho imageries as 'war', **'cut-throat competition', 'dog eat dog' policy, 'every man for himself'** and so on, has built an ugly image. Selfishness, ruthlessness and unbridled greed are supposed to reside in these practitioners.
  But competition is not warfare. Even the most highly competitive industry rests ultimately on shared interest, honest fulfilment of contracts and mutually agreed upon conduct. Above the line of competition, business functions on the basis of co-operation. Even competition takes place within the bounds of well-known and mutually shared concerns.
  Competition is essential, to make the choice of the best fitted to join the best suited.
- The most persistent metaphor, which seems to endure no matter how much evidence is amassed against it, is **atomic individualization**, the idea that business life consist wholly of mutually agreed upon transactions between individual citizens avoiding government interference.
  But most of business life today consists of roles and responsibility in co-operative enterprises whether they be small family businesses or gigantic multi-national corporations. Government and business are as often partners as opponents, whether by the way of subsidies, tariffs and tax breaks or as an intimate co-operative enterprise. But atomic individualism is not only inaccurate in the face of the corporate complexity of today's business world, it is naïve in its supposition that no institutional rules and practices underlie even the simplest promise, contract or exchange.

Business is a social practice, not an activity of isolated individuals. It is possible only because it takes place in a culture with an established set of procedures and expectations, and these are not open to individual tinkering.

According to some people, understanding business ethics can be problematic in the sense that, this field is vast, often encompassing many concerns such as corporate governance, social responsibility, reputation management, accurate accounting and audits, fair labor practices and environmental stewardship to name a few. Moreover, it generally addresses the entire scope of responsibilities and obligations that a company has to each of its stakeholders like clients, employees, shareholders, suppliers and the community. Business ethics seems easy to understand but when you get to the real one, you could find yourself in a confusing situation. Since the term ethics can pose many definitions in a broad context and it can be difficult to find a common understanding of the term, hence, most companies refer the concept of the term ethics as integrity, business practices or responsible business conduct.

Three Levels of Business:

It is worth analyzing business on three levels- micro, macro and molar.
At the **micro level,** there is a free and fair exchange between two individuals, and the ethics is shown in the idea of a fair exchange, fair wage, fair treatment or bargain.

At the **macro level,** there is a commerce between institution and organization and the ethical rules apply for an entire society. Justice and legitimacy become the main concerns. The nature of society comes to be examined. Macro-ethics is therefore, an attempt to understand the nature of the business world and its functions.

The third and the final level is the **molar level** which the unit of modern business, the corporation, represents. The central question of business ethics are aimed at these corporation controlled by an elite group of directors and their employees round the globe. The role of the corporations in society as well as the role of the individual in the corporation have to be put under the microscope. The questions of corporate social responsibility and the role of the individual in the corporation are also in the larger society have to be examined ethically.

Benefits of Ethical Practices in Business:

Business ethics has come to be considered a **management discipline**, especially since the birth of the social responsibility movement in the 1960s. In that decade, social awareness movement raised expectations of businesses to use their massive financial and social influence to address social problems such as poverty, crime, environmental protection, equal rights, public health and improving education. The emergence of business ethics is similar to other management disciplines.

The task of business ethics is to **break down the sense of isolation** in the conduct of business professionals pertaining to business and society and bring in the sense of integration of business in society. Modern businesses are expected to be responsible stewards of community resources working toward the growth and success of both their companies and their communities. The pursuit of profits and economic progress is not a license to ignore community norms, values and standards of respect, integrity and quality.

There are huge organizational advantages from behaving ethically, with humanity, compassion, and with proper consideration for the world beyond the boardroom and the shareholders:

Customer Retention:

Customers are increasingly favouring providers and suppliers who demonstrate responsibility and ethical practices. Failure to do so means lost market share, and shrinking popularity, which reduces revenues, profits, or whatever other results the organization seeks to achieve.
Factors identified include increases in customer loyalty, enhancement of brand image, and tiebreaker effects for customer purchasing decisions.

Employee Retention:

The best staff wants to work for truly responsible and ethical employers. Failing to be a good employer means good staff leaves, and reduces the likelihood of attracting good new-starters. This pushes up costs and undermines performance and efficiency.

Productivity of Staff:

Staff who work in a high-integrity, socially responsible, globally considerate organization are far less prone to stress, attrition and dissatisfaction. Therefore they are happier and more productive. Happy productive people are a common feature in highly successful organizations.

Reputation of Organization:
It takes years, decades, to build organizational reputation - but only one scandal to destroy it (Eg. Volkswagen Emission Scandal). Ethical responsible organizations are far less prone to scandals and disasters. And if one does occur, an ethical responsible organization will automatically know how to deal with it quickly and openly and honestly.

Attraction for Potential Investors:
Very few investors want to invest in organizations which lack integrity and responsibility, because they know that for all the other reasons here, performance will eventually decline, and who wants to invest in a lost cause?

Legacy:
Hardly any leader will admit in the cold light of day that he would prefer to be remembered for doing something good, rather than making a pile of money or building a great big empire. It's human nature to be good. Humankind would not have survived were this not so.

When all these related and somewhat overlapping components combine synergistically, they increase the power and influence of individuals, teams, and organizations. Also, most people know that ethical behavior can empower their personal lives as well. All these happening prove beneficial for business on a long term.

Conclusion/My Views:

Business ethics helps attract and keep investors, employees and customers. They get **peace of mind** working with the company since they are assured of careful utilization of their funds, resources and time by it. Following business ethics people can make good business policies and practices to curb the negatives. Today, many businesses be it large, medium or small scale, have learnt to accept this. This is due to its positive impact on the internal and external environment. Where there is no order, **work cannot be done efficiently and productively.** Many hindrances within a working environment such as abusive behavior and language, theft or fraud, sexual harassment, termination without notice, bribery, nepotism, racism, embezzlement, inappropriate dressing code and so on are unethical.

In places of work, the law requires one to observe an acceptable code of conduct at all times. The problem comes in where there are now the legal requirements and the personal standards. When the latter exceed the former, unethical issues is achieved. **Business ethics needs to be observed not only at the individual level, but also organizational, societal and international level.** Organizations that promote an ethical climate provide an opportunity to develop an ethical culture.

Ethical practices are driven by trust, honesty and with the thinking which is above profit. Any business organization can deny to follow ethics as none can be compelled to follow ethics. **On short term view, Ethical practices can hamper profit of business but it is believed that ethical practices are fruitful for every business on long term.**

As Douglas Adam rightly said, **"To give real service you must add something which cannot be bought or measured with money, and that is sincerity and integrity."**