

Business Ethics: A Catalyst for Rapid Economic Growth

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Abstract

Over the past 4-5 years the global economic meltdown has affected downwardly most economic of the world largely due to global unit cell of the business world. Businesses in most countries especially in developing nations in their bid to survive and grow adopted some unethical practices to remain in the market. This paper examined the concept of business ethics, development and its role in rapid economic growth in organizations and economy in the face of modern challenges. Focused is on current practices and prospective benefits of ethical business practices in a dynamic economy like Nigeria. The paper recommends complete commitment, upholding, adhering and practice of business within the code of ethics by all stakeholders or parties for accelerated economic growth.

Keywords: Ethics, Business, Consumer, Economy, Corporate

Introduction

The business world is besieged with a lot of socio-economy challenges. The recent global economy melt down has forced many shrewd businesses small or large, into unethical practices to remain in the market or business. Developing economies seems to be at the receiving end of these economic challenges and hence the dare need for survival by individuals and businesses. Ethics which are code of values and principles that governs the action of a person, or a group of people, regarding what is right verses what is wrong (Levine 2011). Business ethics is the behaviour that a business adheres to in its daily dealings with the world. They apply not only to how the business interacts with the world at large, but also to their one – on – one dealing with a single customer.

Businesses face ethical issues and decisions almost every day, while in some industries the issues are insignificant, for others it could be quite very significant. Thus in our competitive system there is immediate tension between ethics and business. The ideal of being a good citizen is often limited or replaced by the ideal of the acquisitive individual winner.

Some individuals and businesses are tempted to act unethically, particularly in the short run, where there is a one-short opportunity, to “make a killing.” In such case, the unethical individuals, organization profits while others individuals, companies, societies or future generations lose. In such situations short-term private interests are favoured over long term public interests or over competitors. The lack of ethics in business can help to underline the free enterprise system, leading to manias, crises and crashes in one country or internationally. Unlimited competition, dishonesty and violence can poison the environment in which healthy businesses can operate. Efforts to increase production of a coy are replaced by efforts to protest assets.

The former president of Enron Jeffrey skilling, when he was a top student at the Harvard business school, was questioned by his professor “what he would do if his company were providing a product that might cause harm or even death, to customers that used it. Jeffrey skilling replied I’d keep making and selling the product. My job as a business man is to be a profit centre and to

maximize return to shareholders. It is the government's job to step in if a product is dangerous"(Fursaro et al 2002)

Many businesses have been fined millions for breaking ethical business laws or antitrust (opposing business monopoly), ethical and environmental laws and have received fines worth millions. The problem is that the amounts of money these companies are making outweigh the fines applied, as such many companies that pride themselves in their correct business ethics in this competitive world, are becoming very few and far between.

Brief Historical Background

Construed broadly as moral reflection on commerce, business ethics is probably as old as trade itself. If law is a rough guide to widely held intuitions (Gooden 1985), the code of Hammurabi (1700s BC), prescribing prices and tariffs and laying down both rules of commerce and harsh penalties for non-compliance, evidences of some civilization's earlier attempts to establish the moral contours of commercial activities.

Aristotle's politics (300s B.C) addresses explicitly commercial relations in its discussion of household management. Equally the ten (10) commandments (Ex 20:2 -17, Deu 5:6-21) include moral rules applicable to commercial conduct.

As a discrete, self-conscious academic discipline, business ethics is roughly four decades old. Raymond Baumhart's (1961, 1963, 1968) ground-breaking studies in the 1960s are generally understood to be early contributions to business ethics.

Today, academic business ethicists address questions that range across the functional areas of business, giving rise to various recognized specialties in ethics (e.g. marketing ethics, finance ethics, accounting ethics etc).

International business ethics came on board in the 90's

International Business Ethics

Doing business Trans nationally, raises a number of issues that have no analogue in business dealings done within a single country or legal jurisdiction. International business ethics seeks to address those issues. Where ethical norms are in conflict owing to different cultural practices, which ethical norms ought to guide one business conduct in other nations & culture?

International business ethics generally conceive the home country/ host country question is central. On one hand, adopting host country norms is a way to respect the culture and its member. Thus, business persons are advised that when in Rome they ought to do as the Romans do.

On the other hand business persons are advised to resist host country norms that are normally repugnant (offensive & completely unacceptable), e.g. when bribery of officials is central to doing business where you are, ought you to embrace the practice as a mark of cultural respect or forswear the practice on the grounds that is morally repugnant?. A common approach in International business ethics is to refer to or to construct lists of norms that ought to guide transnational business conduct. Example the United Nations Universal Declaration of Human Rights or more recently, the United Nations Global Compact, is advanced as a guide to conduct.

The UN global compact enjoins business firms to support and respect international recognized human rights

- avoid complicity in human rights abuses
- Uphold freedom of association and collective bargaining
- Eliminate forced and compulsory labour

- Eliminate child labour
- Eliminate all forms of discrimination in employment
- Support a precautionary approach to environmental challenges
- Promote greater environmental responsibility
- Encourage the development of environmentally friendly technologies
- Work against corruption in all its forms including extortion and bribery.

Alternatively, whether inspired by something like the UN global compact, a preferred moral theory, a preferred theory of justice, or some combination of these or other factors, other lists of norms are proposed as guide to the ethical practice of transnational business. DeGeorge (1993), for example, advances ten (10) guidelines for the conduct of multinational firms doing business in less developed countries. These guidelines call for the avoiding harm, doing good, respecting human rights, respecting the local culture, cooperating with just governments and institutions, accepting ethical responsibility for one's actions and making hazardous plants and technologies safe.

Benefits of business ethics in organisations/economy

Businesses that are managed by leaders who conduct themselves in an ethical manner and who reward employees for doing what is right are much more likely to be characterized by a positive ethical culture.

If an organization's corporate culture is characterized by ethical behaviors, then the decisions that are made by the company's leaders and workers are likely to be ones that are socially responsible rather than motivated solely by a profit-seeking motive. Socially responsible business decisions are ones that are made from a stakeholder perspective, focusing on coming up with problems that take into account the needs of everyone who has the potential to be impacted by the company's actions. By focusing on the impact an action will have on all stakeholders rather than solely on the bottom line, companies can avoid making decisions that are on the wrong side of the line between right and wrong.

Good business ethics brings intangible and tangible benefits

Intangible benefits: Intangible Benefits or Goodwill in the Market: An organization, which is well-known for its ethical practices, creates a goodwill for itself being perceived in the market, business associates and other third parties as transparent, reliable, straightforward and trustworthy. Investors or venture capitalists are more willing to put their money in the businesses which they can trust. Shareholders too, remain satisfied with the practices of an ethical business. Thus, the importance of business ethics in creating goodwill and building long-term relationships, cannot be denied. Also, an ethical business puts greater value on its employees and thus, employees remain loyal to such an organization too.

Tangible benefits: Some of the tangible benefits that accrue a business for operating on ethically sound business values are:

Profit Maximization

The importance of ethics in business can be understood by the fact that ethical businesses tend to make much more profits than the others, operating on corrupt practices. The reason for this is that customers of businesses which follow ethics are loyal and satisfied with the services and product offerings of such businesses. Let us take an example. Suppose, there is an organization named XYZ

which manufactures cosmetics. XYZ greatly believes in the importance of business ethics. When XYZ advertises its cosmetics in the market, being an ethical organization, it will be very truthful and honest in its communication with the probable customers. It will tell correctly about the kind of ingredients it has used while manufacturing the cosmetics. It will not lie or exaggerate about the benefits or uses of its products either. So the customers who buy its cosmetics, know precisely what they are buying and how useful that product is going to be for them. This way, the product will meet their expectations and thus, satisfy the customers. When customers are satisfied, they will become loyal to the company and come back again for re-purchasing. This will surely increase the profits of the organization. Thus, the importance of business ethics is that it creates loyalty in customers and maximizes the profits.

Efficient utilization of Business Resources: In an organization, people working at the junior levels often emulate the ones working at the top. The same applies with ethics too. If the management or seniors of an organization follow ethical business practices, i.e, they do not bribe to get their way or they do not cheat the customers, investors, suppliers, etc., the employees will follow suit. The employees too will refrain from using the office property or resources for personal benefits. This will result in better and efficient utilization of the business resources.

Improve customers' confidence: Business ethics are needed to improve the customers' confidence about the quality, quantity, price, etc. of the products. The customers have more trust and confidence in the businessmen who follow ethical rules. They feel that such businessmen will not cheat them.

Survival of business: Business ethics are mandatory for the survival of business. The businessmen who do not follow it will have short-term success but they will fail in the long run. This is because they can cheat a consumer only once. After that, the consumer will not buy goods from that businessman. He will also tell others not to buy from that businessman. So this will defame his image and provoke a negative publicity. This will result in failure of the business. Therefore, if the businessmen do not follow ethical rules, he will fail in the market. So, it is always better to follow appropriate code of conduct to survive in the market.

Safeguarding consumers' rights: The consumer has many rights such as right to help and safety, right to be informed, right to choose, right to heard, right to redress, etc. But many businessmen do not respect and protect these rights. Business ethics are must to safeguard these rights of the consumers.

Protecting employees and shareholders: Business ethics are required to protect the interest of employees, shareholders, competitors, dealers, suppliers, etc. It protects them from exploitation through unfair trade practices.

Develops good relations: Business ethics are important to develop good and friendly relations between business and society. This will result in a regular supply of good quality goods and services at low prices to the society. It will also results in profit for the businesses there by resulting in growth of economy.

Going concern is assured: Being profitable will ensure that the company is around for at least the next twelve (12) months. It is the desire of every business entity to be around for a longer time. Ethical business practice is the way to go if a business truly value going concern.

Sustainability: Without sustainability investments in business will simply not yield fruit. And without running business on sound ethical values, sustainability will not be achieved in businesses and investments.

Competitive edge: Quality save money is a popular belief in accounting, business & investment. Cost of reworking defects borne out of using poor equipment & employment of sharp practices are saved. Also it gives investment (business) easy access to the heart of the general public if a business is build in ethical values and principles. Zig zaglar golden rule philosophy states "You will get all you want in life if you can simply help enough others get what they want". This philosophy is truer in the business world than general life interactions. Customers and other stakeholders in the business community tend to naturally love and appreciate company's products that are offered by business that uphold ethics and their operations.

Large customer base: Business ethics is especially important in dealing with customers. Maintaining integrity in the customer facing side of a business is crucial to building client relationship assisting the overall branding efforts and customer base.

Corporate growth: Adopting an ethical approach that takes into account the various responsibilities of a consumer – shareholders, employees, customer and the complimentary at large is vital to business growth & development across all aspect of the business in both short and over the long run.

Creates good image: Business ethics create a good image for the business and businessmen. If the businessmen follow all ethical rules, then they will be fully accepted not criticized by the society. The society will always support those businessmen who follow this necessary code of conduct.

Smooth functioning: if the business follows all the business ethics, then the employees, shareholders, consumers, dealers and suppliers will all be happy. So they will give full cooperation to the business. This will result in smooth functioning of the business. So, the business will grow, expand and diversify easily and quickly. It will have more sales and more profits.

Consumer movement: Business ethics are gaining importance because of the growth of the consumer movement. Today, the consumers are aware of their rights. Now they are more organized and hence cannot be cheated easily. The take actions against those businessmen who indulge in bad business practices. They boycott poor quality, harmful, high-priced and counterfeit (duplicate) goods. Therefore the only way to survive in business is to be honest and fair.

Consumer satisfaction: Today, the consumer is the king of the market. Any business simply cannot survive without the consumers. Therefore, the main aim or objective of the business is consumer satisfaction. If the consumer is not satisfied, then there will be no sales and thus no profits too. Consumer will be satisfied only if the business follows all the business ethics, and hence are highly needed.

Importance of labour: Labour. i.e. employees or workers play a very crucial role in the success of the business. Therefore, business must use business ethics while dealing with the employees. The business must give them proper wages and salaries and provide them with better working conditions. There must be good relations between employer and employees. The employees must also be given proper welfare facilities.

Healthy competition: The business must use business ethics while dealing with the competitors. They must have healthy competition with the competitors. They must not do cut-throat competition. Similarly, they must give equal opportunities to small-scale business. They must avoid monopoly. This is because a monopoly is harmful to the consumers.

Overall, synergistic effects of business ethics on the economy from the above highlighted points among others include:

- Inflows of foreign business/ investments
- Growth in GDP
- Employment opportunities
- Increased revenue arising from profits maximization, business survival and proliferation
- Strengthening of government fiscal and monetary policies in the systems eg. cashless monetary policies recently introduced in Nigeria.

Code of Ethics

Many organizations now implement the code of ethics in their company policies, which they implement during induction and regular training. It is primarily for the following areas:

- Company's assets, funds and records
- Conflict of interest
- Management and employee practices
- Information on competition
- Corporate social Responsibility
- Dealings with Customers & Supply Chain
- Environmental Policy and Actions
- Rules for personal & Corporate Integrity

Ethical Business Practices

Following are a few ethical business practices that should be followed to build an honest reputation and ensure smooth running of the organization.

- **Investors:** Ensuring safety of their money and timely payment of interest.
- **Employees:** Provision of fair opportunities in promotions and training, good working conditions, and timely payment of salaries.
- **Customer:** Complete information of the service and product should be made available. Personal information of the customers should not be used for personal gain.
- **Competition:** Unscrupulous tactics and methods should be avoided while handling competitors.
- **Government:** Rules and regulations regarding taxes, duties, restrictive and monopolistic trade practices, and unlawful activities like corruption and bribing should be adhered to.*

- **Environment:** Polluting industries should ensure compliance with the government norms regarding air, water and noise pollution.

Unethical Business Practices

The financial sector is abuzz with acts of violation of norms to amass wealth in an unethical manner. Following are some of the activities that come under the ambit of unethical practice.

- Resorting to dishonesty, trickery or deception.
- Distortion of facts to mislead or confuse.
- Manipulating people emotionally by exploiting their vulnerabilities.
- Greed to amass excessive profit.
- Creation of false documents to show increased profits.
- Avoiding penalty or compensation for unlawful act.
- Lack of transparency and resistance to investigation.
- Harming the environment by exceeding the government prescribed norms for pollution.
- Invasion of privacy used as leverage, for obtaining personal or professional gains.
- Sexual discrimination

Preventing unethical practices in organizations

Addressing unethical behavior and practices is essential to maintain an ethical climate in an organization. Incorporation of ethical norms and conduct into all levels of the organization can be done in the following ways.

- Codes of corporate ethics must be formulated so that employees are aware of the organization's expectations regarding ethical norms and conduct.
- An appeal process must be in place so that any unethical practice can be brought into light.
- Seminars on business ethics should be conducted for employees. This will help them in understanding the importance of ethical work culture.
- Compliance officers must be appointed to keep a check on fraud, corruption, and abuse within the organization.
- To promote ethical behavior, performance management system of the organization must be modified to incorporate ethical behavior as a parameter for appraisal and rewards.
- It is up to the public to make sure those companies adheres to correct business ethics.

Business houses that comply with ethics to determine their conduct are shrinking in number. The lack of business ethics in the market is a big reason to worry. Organizations now recognize the positive effects and outcomes of being ethical, humane and considerate. They have a competitive edge in the market, because of the honesty they show in their services. Their morally upright reputation attracts better staff and helps in retention. Though ethics are legally binding in most cases, self-monitoring, transparency and accountability will go a long way in establishing trust of the people. Besides this, it makes sense to change, before you are penalized.

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