

## **BUSINESS ETHICS**

Ethics are a set of moral principles which are recognized in respect of a particular class of human actions or group

Business ethics are acceptable measures or ways in which the business should conduct themselves towards their customers, employees, society, government and fellow business.

Or

They are those virtues that business peoples apply when making business decisions.

## **PRINCIPLES OF GOOD BUSINESS ETHICS**

Ethical principles are the values that set the ground rules of all that we do. The ethical principles are

- ☞ Honesty. An entrepreneur should be open and freely share information. He shouldn't say thing that are false or deliberately mislead others
- ☞ Promise keeping. One will not make promises that cannot be kept and will not make promises on behalf of the company unless he has the authority to do so.
- ☞ Fairness. An entrepreneur should create and follow a process and achieve outcomes that a reasonable person would just call. E.g equal treatment of workers, like giving them a fair pay depending on stipulated conditions
- ☞ Respect for others. It's important for one to honour and value the abilities and contributions of others, embracing the responsibility and accountability for our action in the regard
- ☞ Compassion, one should maintain an awareness of the needs of others and act to meet those needs whenever possible. They should minimize harm in society
- ☞ Integrity, one will always live up to ethical principles, even when confronted by personal, professional and social risks as well as economic pressure, e.g the hiking rate of inflation doesn't mean reducing worker's salaries or producing poor quality products
- ☞ Cooperation or team work, an entrepreneur should be able to support acts of other business partners and work together to achieve the common goals of the industry e.g. during strike due to high taxes.
- ☞ Law abiding. Ethical entrepreneurs abide by laws, rules and regulations relating to their business activities.
- ☞ Commitment to excellence. Ethical entrepreneurs pursue excellence in performing their activities, are well informed and prepared, and constantly endeavor to increase their knowledge in all areas of responsibility.
- ☞ Reputation and morale. Ethical entrepreneurs seek to protect and build their businesses' good reputation and the morale of its employees by engaging in no

conduct that might undermine respect and by taking whatever actions necessary to correct or prevent inappropriate conduct of others.

- ☞ **Accountability.** Ethical entrepreneurs acknowledge and accept personal accountability for the ethical quality of their decisions and omissions to themselves, their colleagues, their companies, and their communities.

## **STEPS IN DECISION MAKING THAT AID ETHICAL DECISIONS**

1. Defining the problem that requires a decision. It is good to take time to clarify the problem before taking a decision.
2. Considering alternative solutions to the problem. There is always more than one solution to any problem. Practice thinking about possibilities before taking action.
3. Identifying the consequences of alternative solution.
4. Collecting information if you do not have enough to make a right solution.

## **PARTIES TO BUSINESS ETHICS**

- The clients or customers who deal in the business
- Employees who are employed by the business
- Government of the country or authority in which the business activities take place
- Businesses which competes with the entrepreneur's business
- The society within which the business operate
- The suppliers of inputs

## **BUSINESS ETHICS TOWARDS CUSTOMERS**

- **Honesty.** An entrepreneur is supposed to be honest to his/her customers, this will involve charging fair prices for the goods, good quality and affordable quantities etc
- Endeavour to seek and analyze the needs of customers and making sure that goods/services provided conform to those identified needs of customers
- **Courtesy.** This involves politeness, patience and sincerity when dealing with customers. An entrepreneur should always put his/her self in customer's shoes, for instance one is not supposed to sell underweight and expired goods to his customers
- An entrepreneur should ensure that the goods or services provided do not have any negative impact on the customers, for instance a professional doctor or nurse should not sell expired drugs to patients or his client since they will affect their lives instead of treating them
- **Genuine to customers.** An entrepreneur should be kind, cheerful and should always try to control his/her tempers when dealing with clients/ customers, should not use abusive language or shout at customers, he/she should instead try to make them understand what he/she needs in case of any discrepancy

- Provision of the required information to the clients or customers on the use of the products/services. Installation, maintenance and other likely impacts of using the product
- Responsibility. An entrepreneur should try to meet his obligations as agreed on , for instance he/she should fulfill his contractual obligations on agreed time, delivery on time and fulfill his/her part of the deal/bargain

## **BUSINESS ETHICS TOWARDS EMPLOYEES**

In order for an entrepreneur to treat the employees in an ethical manner, the following should be highly observed

- Through giving them a fair pay. Payment to employees should be fair i.e. in relation to his value in business and amount of work done. One should also consider the seniority. Experience, responsibility etc of the employee when determining the payment
- Should provide clear and fair terms of employment e.g employees should be given appointment letters stating whether they are employed on permanent, temporary or on a contract business. The salary or wage should be specified as well as duties and responsibilities
- Ensuring job security of an employee. As it is the right of an employee to know the terms of employment, for instance, it can be on a permanent basis, temporary or contractual form of employment which helps on employee to plan accordingly e.g if it is a contract based, one should prepare to look for another job when the term of contract is ending
- Provision of good working conditions. Since employees spend most of their useful time at their work places, the work place should assure a healthy life during and after staying at the business, such conditions may include protective working clothes, helmets, gloves etc good transport, feeding, accommodation. Medical care and other allowances
- There should be constant arrangement for proper training and education of workers, this will improve on their skills in operating their business activities which improve performance
- Listening to employee's personal problems and complaints, through this, an entrepreneur can help in solving or assisting them where necessary through giving them affordable and relevant support to them
- Politeness i.e. workers should be treated in a polite way in all situations, this also involves those situations where employees go wrong, for instance let a single mistake made by an employee not make an entrepreneur forget the good things made / he has made
- Creating a room for creativity. Employees should be treated as human beings who have the right to think and act i.e. they should be given a chance to exercise activities, this may lead to improved services and productivity to the business

- Respect, the entrepreneur should respect the employees for the contribution they make to the business, for instance the entrepreneur should not publically abuse employees and the norms of the society of the area should be respected when handling employees
- Provision of proper recognition, appreciation and encouragement of special skills to capabilities of workers, this increases their morale and devotions to their work in business

## **BUSINESS ETHICS TOWARDS THE SOCIETY**

- Conserving the environment. The business should endeavor to take all the necessary steps needed to conserve the environment e.g trying all the necessary ways of controlling pollution i.e. in air, water and swamps.
- The business should endeavor to protect people's health and lives during its operations like avoiding emitting poisonous and toxic substances, controlling machinery noise, explosion etc.
- A business should have strict considerations for the norms, for instance during business activities in what is acceptable to the culture or religious beliefs of the society like putting up a disco near a secondary school, selling pork in a Muslim community.
- A business is also expected to get involved and contribute to the needs of the society, like contributing to community health centres, community development like cleaning or road construction.
- A business is also expected to provide employment opportunities to the community members instead of giving them out to foreigners i.e. in case they fit in the existing opportunities in terms of qualification, experience and skills.

## **BUSINESS ETHICS TOWARDS GOVERNMENT**

- Complying with the laws that govern the business like registration laws, licensing laws, labour laws, occupational hygiene
- Observing and setting the tax obligation as required by law, it is a must for entrepreneur to pay taxes and they should be paid on time and in full
- Businesses should follow the government policies in their operations like selling products that are acceptable by the government, should avoid engaging in illegal commodities like fire arms, expired commodities etc
- The business should meet the production standards in terms of quality, weights etc, dishonesty acts like charging the weighing scales in order to exploit consumers should be avoided
- The business should also comply with occupational hygiene, environmental regulations etc as prescribed by the central and local government

### Business ethics towards suppliers

- ✓ Paying them promptly
- ✓ Offering them a fair price

- ✓ Attending to their complaints
- ✓ Respecting the terms and conditions of the transactions

#### Business ethics towards competitors

- ✓ Ensuring fair trading
- ✓ Anti-competitive policies
- ✓ Merging where possible
- ✓ Giving referrals in favour of competitors

#### **BUSINESS ETHICS TOWARDS SHARE HOLDERS**

- ✓ The business should protect the interests of the shareholders / the entrepreneur for business survival.
- ✓ The management of the business should make sure that the capital of the business is safe from misappropriation, should avoid mishandling business property etc
- ✓ The management should ensure that the business makes profits and deliver the right dividends to the share holders
- ✓ Management should ensure that the business image is amplified so that the entrepreneurs enjoy self-esteem and recognition.

#### **IMPORTANCE OF BUSINESS ETHICS TO BUSINESS**

- Helps the entrepreneur to be trustful by re-organizing that the customer is the king. This helps to maintain and attract new customers
- Enables business people to meet obligations of their customers and business partners regardless of anything else
- Increases business turn over engaging in fair trading activities like guaranteeing a safer place for your employees, fair pricing for your product guarantee a high business turn over
- Increases business profits when a business that practices business ethics towards its customers, its total sales increases as well as its profits. This facilitates business growth and expansion
- It leads to recognition from the society. Being ethical as a business person builds the image of reliability and establishes reputation with your customers.
- It leads to easy access to human resources through gaining good reputation which enables, it to get human resources to work for it
- It leads to easy access to inputs like raw-materials. By practicing business ethics to society, the business earns a good reputation which enables it to get human resources to work for it.
- It enables the business to win government support. Honest business attract the government supports and sympathy in terms of needs

#### **Developing a business code of conduct**

- ✓ All employees shall dress decently in uniform to look smart
- ✓ Arrival and departure time shall be recorded in the arrival and departure book to monitor their attendance.
- ✓ Workers shall keep company information secret.

- ✓ All workers shall conduct themselves in a morally acceptable ways as described by the company code of conduct.
- ✓ Workers shall not be allowed to engage in sexual harassment.
- ✓ All workers shall handle business assets with care any loss arising from mishandling of the propriety, the person in charge is to pay for the damage.
- ✓ Worker in a competing business shall not be recruit into the business work force not until they provide termination letter or any other inform that indicate that they are no longer employees of that business.
- ✓ No worker shall be allowed to use any drug or intoxicating drink that may impair his or her sense of judgment while at work.
- ✓ Workers shall not be allowed to use business name for personal activities that are not related to their work title.
- ✓ Working days shall be strictly Monday to Friday

### **Unethical practices that are used by entrepreneurs while running their businesses.**

- ✓ Supplying low quality/inferior goods. Some scrupulous entrepreneurs use unethical practices of supplying low quality goods to consumers. They adulterate the goods; use wrong scales, weights and measures which make consumers buy less than the actual quantities and quality.
- ✓ Charging high prices. Another form of exploitation and unethical behavior used by entrepreneurs is through overcharging consumers and selling to them goods at very high prices. Entrepreneurs can create artificial shortage of the good in the market through hoarding so as to charge high prices and earn excessive profits.
- ✓ Misleading advertisement. Some firms give false, confusing and misleading information while advertising their goods and the consumers ignorantly base on this false information to buy the goods. For some packaged goods they supply inadequate or wrong information on the packages which misguide the buyers and wrong use of drugs, chemicals and other products harmful to people's lives.
- ✓ Poor remuneration to employees. In a bid to minimize costs and maximize profits, some entrepreneurs behave unethically by paying workers low wages and salaries. The wage paid is usually not matching the workers' productivity and cannot enable the worker to meet his basic needs. The pay is little, delayed, uncertain and sometimes not paid at all.
- ✓ Discriminative employment policy. Some employers are discriminative in their recruitment policies by hiring employees of a certain gender, age, tribe, religion, political affiliation and others. Recruitment is not done on merit and this means people who are qualified for jobs don't get a chance of competing because the policy of recruiting eliminates them.
- ✓ Use of child labour. Labour laws and the constitution discourage the use of children below 18 years in productive employment as they are still minors. But some entrepreneurs behave unethically and employ children and worse still underpay them.
- ✓ Payment of low rate of dividend to shareholders Share-holders entrust the management and running of their companies to directors. The directors are supposed to provide information through reports and feedback to the shareholders about the progress of the business at the same time pay a reasonable rate of return. However the directors sometimes use dishonest

means to pay low rate of dividends to shareholders and they fail to provide feedback on time.

- ✓ Misuse of funds/mismanagement of the company. The shareholders sometimes divert the funds of the company to either personal use or non-priority activities. Sometimes they also give bribes, gifts, donations, payment of kickback money to politicians and the government officers for certain benefits like winning contracts.
- ✓ Overexploitation of resources. In order to achieve their goal of profit maximization, some entrepreneurs do over utilize the available resources. Such activities like deforestation, over fishing and others are unethical and deprive society the benefit of using the resources sustainably.
- ✓ Disregard of business laws. Some business owners disregard business laws, government policies and misuse the facilities and incentives offered by the government and incentives offered by the government. Failure to comply with public law is unethical, for example dodging and evading taxes.
- ✓ Creating inconveniences to local people. Sometimes entrepreneurs create inconveniences to local people due to growing industrial activities without due care to local community. Increased industrial and business activities

### **Sample questions**

#### **Question 1**

*(a) What is meant by the term business ethics*

*(b) Explain the principles of business ethics*

*(c) State the ways through which business enterprise are ethical towards*

- i. Customers*
- ii. Entrepreneur and share holders*
- iii. Government*
- iv. Employees*
- v. Society*

#### **Question 2**

*a) State the ways in which a business should be ethical towards its competitors*

*b) What is the importance of good business ethics?*