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**TOPIC : NATURE OF BUSINESS ETHICS**

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**Business ethics** deals with applied ethics which also includes individuals, societal and organizational values. Ethics in business includes precepts, principles and practices in the conduct of business. This is done specifically in view of the stakeholders namely shareholders, employees, customers, creditors, suppliers, competitors, government, investors and community. The code of conduct related to best practices in business emphasizes the implication of ethics in business.

### **VALUES OF ORGANIZATIONS**

Organizations are collectives and have a specific purpose. The organizations can be for profit or not-for-profit. Usually, profit making organizations are a commercial enterprise. In contemporary terms the organizations, which are not for profit, are in business of providing services to the clients. For example, University is an organization which is in the business of imparting education. The Chartered Insurance Institute is a professional body providing services to its members. Usually the main concern of not -for-profit making organization is not

to generate profits from their increasing customer base, which otherwise is a characteristic feature of a commercially viable enterprise.

In organizations, all members are admitted from outside. They come from various backgrounds and disciplines. It is reasonable to expect that their individual values could be different from the organizational values, to start with. They will have to be inducted into the values of the organization. The processes of induction will determine how consistent the decisions of the organization will be. **Many organizations have their values written into their formal statements relating to mission or vision.**

**These are the following lines:**

- **Honesty and Trust in all our dealings with shareholders, customers, business partners.**
- **Respecting and recognizing the needs and rights of individuals.**
- **We hold Health and Safety as our highest values.**
- **Never to take or give bribes.**
- **No false billing, invoicing or documentation.**
- **All rejects on quality will be followed carefully.**
- **100% testing of finished product.**
- **Will not handle business of harmful items like cigarettes or liquor**

**This is done specifically in view of the stakeholders namely shareholders, employees, customers, creditors, suppliers, competitors, government, investors and community.**

**THE STAKEHOLDERS** - A business organization's activities impact on a number of persons. These are the organization's stakeholders. All of them are affected by the activities that constitute the business. All of them affect the business. The relationship is symbiotic, interdependent, mutually supportive and mutually beneficial; The

Company has obligations to all these stakeholders. Any action of the business organization that adversely affects any of these stakeholders would be unethical.

Business is concerned with the production of goods and services for the benefit of the community, which is identified mainly by its customers. There cannot be any business without customers.

**Customer** satisfaction through utility and quality is its primary concern. Everything else is secondary. The organization is also concerned with paying back the persons who have given it financial support. These persons may be **shareholders, lenders or depositors**. They expect that the business will be able to return to them benefits in the form of dividends, interest, and return of loans and appreciation of capital. Generation of additional funds through profits is therefore, a primary economic concern.

Business depends heavily on its **employees**. They are the ones who, through their knowledge and commitment, generate ideas for product innovation, for economies, for new strategies, for new technologies and for new processes, that give an organization a competitive advantage in the market. The physical, mental, intellectual and professional health of its employees has to be an important concern of the organization. The contribution of the employees to the growth of the business cannot be equated to the remuneration given to them. That is the justification for the two of quoted statements which convey by the following lines.

- **The resources of an organization walk out of the premises at 5 every evening.**
- **You can take away all my money, my machines and my technology. Give me back my people and I will build my business back again.**

**Suppliers** - constitute another group of stakeholders. The relationship between suppliers and buyers is looked at as being limited to a contract that begins with the placement of orders and ends with the payment of bill. Different from the practice of the days in the past, when suppliers

were decided by periodical tenders, business organizations tend to develop long standing relationships with suppliers, helping them to upgrade facilities with financial and technical support if necessary, and they in turn take responsibility for quality and supplying on real time basis, cutting on inventory and inspection costs. Neither tries to cut into the other's genuine demands. The costs of suppliers are transparent and the margins are guaranteed. Many services are outsourced these days.

**Dealers are stakeholders.** They are not merely retailers. They can push a product in the market. They can also kill it. The way they maintain their premises adhering to specifications relating to temperature, heat, moisture, hygiene, etc., will affect the quality of the product. Customers identify brands through dealerships. Dealers survive on products manufacturers. Direct marketing, by eliminating intermediaries like dealers, is becoming popular. It has certain limitations.

The **Government** is another important stakeholder in business. The government makes it possible for business to grow through:

**(a) appropriate economic and trade policies;**  
**(b) agreements with other countries;**  
**(c) taxes and duties affecting imports and exports; and**  
**(d) infrastructure including legal systems and so on. In return, the Government expects business to pay its taxes, generate employment and support - may be even a partner in - its social development projects.**

**The Society is another stakeholder.** Society is bigger than the total of all the stakeholders mentioned above. All the resources of the organization, including land, water; power, finance and people are given to it by Society in preference to demands from many others. The first obligation of the organization to Society is to make sure that the resources given to it are used properly and not wasted. They must also be used productively, which means that additional resources have to be

generated. Making profits out of business is thus a responsibility that an organization has to Society.

**CONCLUSION:** Thus, Professional ethical principles essentially deal with principles concerning a profession or trade. Many Professions, Institutions and Organizations have their Code of Ethics or Code of Conduct. Financial institutions like banks mention them in their various Reports. The statements of ethics of medical profession are contained in the Hippocratic Oath which any Doctor is required to take before beginning his/her profession. The Preamble of Indian Constitution also embodies ethical precepts like integrity and solidarity.

Each Organization and Institution whether Governmental or Non-governmental lays emphasis on principles and values like sincerity, punctuality, maintain confidentiality, impartiality and similar 'ethos' (characteristic spirit of community, people or system). It is necessary to have a common framework within which everybody can understand and discuss issues of Ethics.