

## **BUSINESS ETHICS AS A TOOL FOR ORGANISATIONAL GROWTH**

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### **Abstract**

*There is growing recognition that good ethics can have a positive economic impact on the performance of organizations. Many statistics support the premise that ethics, values, integrity and responsibility are required in the modern workplace. As a result of behavioral and financial scandals, corporate fraud and unethical issues, the importance of Business ethics in modern day business organization has been brought to light. The growth of business organization relies on its sound ethical code of conduct to guide both management and employees in its daily activities. The study, therefore, examined the relationship between business ethics and organizational growth. It also explains the concept of ethical code of conduct for a more productive workplace. The study was descriptive in nature. The result therefore showed that the application of ethical code of conduct is a by-product of organizational growth.*

**Keywords:** Business Ethics, organizational growth, code of conduct.

### **1. INTRODUCTION**

When the goal of commerce is profitability, there exists an inherent risk for business people to maximize their personal wealth, thus acting unethically. This moral hazard has been a permanent factor in business despite society's efforts to control or legislate the questionable behaviors of business organizations and individuals. Still, ethical lapses remain. As is the case with most things, only a small percentage of companies in the business world have been guilty of unethical behavior. The minority of unethical, dishonest and corrupt people have tarnished the reputation of the entire business sector, prompting the government to increase regulation and companies to develop comprehensive ethical programs and monitoring systems. Topics such as corporate governance, environmental sustainability and ethics officers are of ever-growing importance both within companies and the broader corporate environment.

Dombin (2012) states that some individuals and business are tempted to act unethically, particularly in the short run, where there is a one-short opportunity to "make a killing". He further states that in such case, the unethical individuals or organization gains while other individuals, companies, societies or future generation lose. Where business ethics code of conduct is lacking, there seem to be crisis, corporate fraud, oppression and falsification or misrepresentation of financial records which may lead to adverse effect on the state of the economy. Therefore, business ethics is a panacea for organization growth, if well formulated and directed to the core value of the business entities.

## **2. CONCEPT OF BUSINESS ETHICS**

According to the Longman Dictionary, Ethics means as follows:

1. The study of the nature of moral principles, provisions and its foundations.
2. A set of principles and moral values.
3. Principles of behavior or literature that govern the individual or the group.
4. Straightness of actions Literature and judgments and ethics.

Accordingly, the concept of business ethics is relatively new compared to ethics (De George, 1987). Along with the process of globalization, business ethics has emerged as a hot topic both in the business and academic world (Bennington, 2007; Spence, 2000). Managers' belief that ethical policies would contribute to the long-term success of organizations which have brought ethics to the fore (Tekinay, 2003). Business ethics is an interdisciplinary academic field of study (De George, 1987), however this feature also makes it controversial. For this reason, there is no consensus among researchers as to the adaptation of the concept to organizational practices and the resolution of ethical dilemmas (Ferrell, Fraedrich, & Ferrell, 2008; Mauro, Natale, & Libertella, 1999). Business ethics tries to find answers to such questions as what behaviors are acceptable or unacceptable for a good working life (Ferrell et al., 2008; Sintonen & Takala, 2002) within the framework of a reciprocal relationship between ethical principles and organizations (De George, 1987). It is a form of applied ethics or professional ethics, that examines ethical principles and morals or ethical problems that can arise in a business environment. According to the definition of Svensson and Wood (2003), business ethics is the pursuit of understanding what can be considered acceptable about the activities of organizations operating in a particular culture at a particular time.

## **3. CODE OF CONDUCT**

A code of conduct is a set of organizational rules or standards regarding organizational values, beliefs, and ethics, as well as matters of legal compliance that govern the conduct of the organization and its members. Organizational members are responsible for adhering to the code of conduct and will be held accountable for failure to do so. Most large businesses will have a code of conduct, which are often developed in response to legislation regulating business activities and behavior or some sort of ethical scandal. In its 2007 international Good Practice Guidance, "Defining and Developing an Effective Code of Conduct of Organizations" the international Federation of Accountants provided the following working definition:

"principles, values, standards, or rules of behavior that guide the decisions, procedures and systems of an organization in a way that:

- contributes to the welfare of its key stakeholders, and
- respects the rights of all constituents affected by its operations."

A code of ethics outlines the values and beliefs of an organization and ties them to an organization's mission and objectives. Specifically, it codifies the standards of ethical behavior expected of all employees and the values to which all members of an organization commit themselves to uphold when conducting business with internal and external stakeholders. As such, the code of ethics becomes a yardstick by which to measure the operational process and regulates the behavior of managers and employees, but it also sets long-term goals, communicates the company's values to the outside stakeholders, and motivates employees giving them pride in working for a company with clearly articulated, unequivocal values than simply a statement of a company's moral beliefs. A well written code is a true commitment to responsible business practices in that it outlines specific procedures to handle ethical failures. Codes of ethics today address a variety of issues including work environment, gender relations, discrimination, communications and work reporting, gift giving, product safety, employee-management relations, involvement in the political sphere, financial practices, corruption, conflicts of interest and responsible advertising. In general, the process to develop and implement codes of ethics follow a series of considerations and decisions, which for illustrative purposes, can be grouped into the following six phases:

- i. **Purpose:** What objectives will the code of conduct serve and towards what end state will it be employed? Usually to answer such questions, companies conduct an ethical risk assessment as a means to decide how to get from the existing state to the desired ethical organization;
- ii. **Form:** Will the code be more directional or aspirational in form, or a hybrid of the two?
- iii. **Formulation Process:** Once the purpose and form are determined by which process the code of ethics will be formulated, particularly with respect to the consultation and consensus building process with stakeholders to be affected by code of ethics;
- iv. **Content:** Entails the written of ethical dimensions that will form part of the company's ethical culture;
- v. **Tone:** The tone with which the code is written and communicated plays a very important role in its effectiveness. The tone can range from a prohibitive to a more positive one that is supportive of its purpose;
- vi. **Implementation:** Ensuring that the code of ethics becomes real in practice and across all business operations is not a onetime effort that remains a written expression destined for a glassed showcase (Sullivan 2009: 19-25).

#### **4. ETHICAL ISSUES IN BUSINESS ORGANIZATION**

There are many ethical issues that can arise in the course of operating a business. A comprehensive understanding of the different types of ethical issues will help to identify and handle these situations responsibly to maintain core business values. According to Valon Lluka (2010), some of these ethical issues are as following

**(a) Ethics of accounting information**

- Creative accounting, earnings management, misleading financial analysis.
- Insider trading, securities fraud, bucket shop, forex scams: concerns (criminal) manipulation of the financial markets.
- Executive compensation: concerns excessive payments made to corporate CEO's.
- Bribery, kickbacks, and facilitation payments: while these may be in the (short-term) interests of the company and its shareholders, these practices may be anti-competitive or offend against the values of society.

**(b) Ethics of human resource management**

- The ethics of human resource management (HRM) covers those ethical issues arising around the employer-employee relationship, such as the rights and duties owed between employer and employee.
- Discrimination issues include discrimination on the bases of age (ageism), gender, race, religion, disabilities, weight and attractiveness. See also: affirmative action, sexual harassment.
- Issues surrounding the representation of employees and the democratization of the workplace: union busting, strike breaking.
- Issues affecting the privacy of the employee: workplace surveillance, drug testing.
- Issues affecting the privacy of the employer: whistle-blowing.
- Issues relating to the fairness of the employment contract and the balance of power between employer and employee: slavery, indentured servitude, employment law.
- Occupational safety and health.

**(c) Ethics of production**

This area of business ethics deals with the duties of a company to ensure that products and production processes do not cause harm. Some of the more acute dilemmas in this area arise out of the fact that there is usually a degree of danger in any product or production process and it is difficult to define a degree of permissibility, or the degree of permissibility may depend on the changing state of preventative technologies or changing social perceptions of acceptable risk.

- Defective, addictive and inherently dangerous products and services (e.g. tobacco, alcohol, weapons, motor vehicles, chemical manufacturing, bungee jumping).
- Ethical relations between the company and the environment: pollution, environmental ethics, carbon emissions trading
- Ethical problems arising out of new technologies: genetically modified food, mobile phone radiation and health.

- Product testing ethics: animal rights and animal testing, use of economically disadvantaged groups (such as students) as test objects.

**(d) Ethics in Marketing**

Marketing ethics is the area of applied ethics which deals with the moral principles behind the operation and regulation of marketing. The ethical issues confronted in this area include:

- Pricing: price fixing, price discrimination, price skimming.
- Anti-competition practices like manipulation of supply, exclusive dealing arrangements, tying arrangements etc.
- Misleading advertisements
- Content of advertisements.
- Children and marketing
- Black Markets, grey markets.

**5. THE IMPORTANCE OF IMPLEMENTING ETHICAL CODE**

The primary purpose of a code of ethical conduct is to provide an organization with a clear benchmark for ethical behavior (CCAB, 2014). A well written code of ethics clarifies an organization's mission, values, and principles, linking them with standards of professional conduct. The code also articulates the values the organization wishes to foster in leaders and employees and in doing so defines desired behavior. Additionally, a code encourages discussion of ethics and compliance, empowering employees to handle ethical dilemmas they encounter in everyday work. Therefore, among others, adopting a code of ethics in organizations helps in:

- Building a positive corporate culture
- Preventing innocent violation of ethics
- Providing a clear point of reference when enforcing corrective action
- Boosting consumer confidence
- Reducing financial liabilities

**6. CONCLUSION**

The main contribution that adoption of business ethics has on the business activities is that it saves to focus attention on the things that really matter; the relationship between business and the society, the production or rendering of goods and services for customer and client, the quality of working life experienced by employees regardless of rank and status, and the importance of the individual as a social agent (Smith and Johnson, 1996 (as cited by Hironen, 2004). This paper concludes that employee adherence to rules and regulations and the adoption of Business ethical code of conduct by an organization will enhance the organization's core values, beliefs and sets the right culture and a climate of integrity and excellence by so doing, helps the organization communicate its expectations to the employees to suppliers, vendors and customers leading to a successful business organization.

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