Business Ethics – Definition

There are many definitions of business ethics, but the ones given by **Andrew Crane** and **Raymond C. Baumhart** are considered the most appropriate ones.

According to Crane, "Business ethics is the study of business situations, activities, and decisions where issues of right and wrong are addressed."

Baumhart defines, "The ethics of business is the ethics of responsibility. The business man must promise that he will not harm knowingly."

Features of Business Ethics

There are eight major features of business ethics −

* **Code of Conduct** − Business ethics is actually a form of codes of conduct. It lets us know what to do and what not to do. Businesses must follow this code of conduct.
* **Based on Moral and Social Values** − Business ethics is a subject that is based on moral and social values. It offers some moral and social principles (rules) for conducting a business.
* **Protection to Social Groups** − Business ethics protect various social groups including consumers, employees, small businesspersons, government, shareholders, creditors, etc.
* **Offers a Basic Framework** − Business ethics is the basic framework for doing business properly. It constructs the social, cultural, legal, economic, and other limits in which a business must operate.
* **Voluntary** − Business ethics is meant to be voluntary. It should be self-practiced and must not be enforced by law.
* **Requires Education & Guidance** − Businessmen should get proper education and guidance about business ethics. Trade Associations and Chambers of Commerce should be active enough in this matter.
* **Relative Term** − Business ethics is a relative term. It changes from one business to another and from one country to another.
* **New Concept** − Business ethics is a relatively newer concept. Developed countries have more exposure to business ethics, while poor and developing countries are relatively backward in applying the principles of business ethics.

**Need and Importance of Business Ethics**

**Stop business malpractices:** Some unscrupulous businessmen do business malpractices by indulging in unfair trade practices like black-marketing, artificial high pricing, adulteration, cheating in weights and measures, selling of counterfeit (duplicate) and harmful products, illegal hoarding, etc. These business malpractices are harmful to consumers and the safety of society. Business ethics help to stop these malpractices and safeguard society. It creates a healthy business environment for everyone.

**Improve customers' confidence:** Business ethics are needed to improve the customers' confidence about the quality, utility, reliability, quantity, price, etc. of the products. The customers have more trust and confidence in the businessmen who follow ethical business rules or principles. They feel safe that such businessmen will not cheat them. Ethics binds businessmen to maintain trust by offering quality products and services to customers.

**Survival of business:** Business ethics are mandatory or compulsory for the survival of any business. The businessmen who do not follow it will only have short-term success, but they will fail in the long run. This is because they can cheat a consumer only once. After realizing being cheated, the consumer will not buy goods or services from that businessman. He will also tell others not to buy from that businessman. So, this will defame his goodwill or image and provoke negative publicity in the market. This will result in the failure and even closure 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 competitive market. Hence, ethics is essential for the survival of business.

**Safeguarding consumers' rights:** The consumer has many rights such as the right to health and safety, right to be informed, right to choose, right to be heard, right to redress, right to be satisfied, etc. But many businessmen do not respect and protect these rights of their consumers. Business ethics are must to safeguard these basic rights of the consumers. A business who safeguards its consumers' rights, in fact, safeguards its own existence.

**Protecting employees and shareholders:** Business ethics are required to protect the interest of employees, shareholders, competitors, dealers, suppliers, customers, government, etc. It protects them from exploiting each other through unfair trade practices like cheatings or frauds. Ethics compels each entity participating in the business activity to properly execute its role by adhering the established code of conduct. Since everyone is disciplined and function appropriately, business grows well in the long run.

**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 result in good profits for the businesses thereby resulting in the growth of the economy. If the economy keeps growing, it ultimately improves the standard of living of the society.

**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 and not criticized by society. The society will always support those businessmen who follow the necessary code of conduct and avoids engaging in unscrupulous activities. If the business succeeds in creating and maintaining its goodwill in the society, it flourishes well even in the most competitive markets.

**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 the smooth functioning of business activities. So, the business will grow, expand and diversify easily and quickly. It will have more sales and eventually more profits. If even one entity participating in the business activities is unhappy and not fully satisfied then also the business will not function smoothly. The satisfaction of all involved parties is necessary for the smooth functioning of a business. Business ethics maintain this safe level of satisfaction and protects the business from being dysfunctional.

**Consumer movement**: Business ethics are gaining importance because of the growth of consumer movements all over the world. Today, consumers are well aware of their rights. Now, they are more united and organized, and hence cannot be easily cheated. They take actions against those businessmen who indulge in bad business practices. They boycott poor quality, unreliable, harmful, high-priced, and counterfeit (duplicate) goods. They even file lawsuits against bad businesses and demand huge compensation and stringent legal action. If a business is found guilty of indulging in illegal activities, it invites huge penalties, revoking of a license, lowers consumers' trust, downgrades market reputation, and even hurts profits. Therefore, the only way to survive in business is, to be honest, fair, and loyal to the consumers.

**Consumer satisfaction:** Today, the consumer is the king of the market. He can make a business or break a business. His every wish (expectations) should be taken as a command and must be fulfilled as early as possible. Any business simply cannot survive without its consumers. Therefore, the main aim or objective of a business must be to achieve the highest level of consumer satisfaction. If the consumer is not satisfied, then there will be no sales and eventually no profits too. Consumer satisfaction must be taken seriously. Business must be always ready to adapt itself as per the changing demands of its consumers. The consumer will be satisfied only if the business follows all the business ethics. Ethics helps to achieve consumer satisfaction to a great extent and hence are highly needed.

**Importance of labour**: Labour, i.e. employees, workers, or active staff play a very crucial role in the success of a business. They are the main wheels on which business actually runs. A business must use business ethics while dealing with its employees. The business must give them timely monetary compensation for their hard work by releasing appropriate wages or salaries based on working hours. The business must also provide good working conditions for its employees. The employer must welcome their suggestions, reasonable demands, and complaints. Good relations between an employer and employees is essential for the smooth functioning of a business. The employees must also be given proper welfare facilities, holiday leaves, bonuses, etc. They must be treated with dignity and respect.

**Healthy competition:** Today, competition is a part and parcel of our lives and business world is no exception to this. Competition is essential because it inculcates creativity and innovation, competitive pricing, affordable services, corporate responsibility, consumer satisfaction, etc in the realm of business. This competition must be healthy and should not be aggressive, fierce or cut-throat. A business must treat its competitors as fellows and not as rival enemies. A business must never use unethical means like provocative adverts to malign the reputation of its competitors. If a competitor is successful his behavior, management, marketing skills, business tactics, customer handling, etc must be carefully studied. Any suitable lackings or shortcomings identified must be later assimilated in the business. A business must hire brilliant and energetic minds to win this healthy competition. The business must use business ethics while dealing with its competitors. It must give equal opportunities to small-scale businesses. Monopoly must be avoided because it harms consumers.

**Conclusion**

Without ethical standards no matter how small or big a business may be, it simply can't withstand generosity of time, market situation, and its customers. Ethics are those supporting pillars on whose foundation the integrity, stability, and prosperity of business stand tall and upright with dignity. Higher these standards of ethics are stronger and rigid is this support. A business must never underestimate or just take for granted this crucial significance of business ethics if it wants to survive and grow in competitive and complicated economies of the contemporary world.