

# The importance of business ethics

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Business ethics is defined as the principles, values, and standards that guides behavior in the world of business. When a business is known for being honest it is more likely to become successful. Today, more and more companies are realizing the direct impact that good ethical behavior has on financial performance. A positive ethical culture within a business promotes employee commitment and trust, investor loyalty and trust, and customer satisfaction and trust which in turn raise profits for the business.

Employee commitment comes from employees who feel that they are tied to their company and are willing to make personal sacrifices for the company. The better a company takes care of its employees, the better the employees will work. Some examples of a company taking care of its employees include competitive pay, safe work environment, and the company fulfilling its contract with the employee. When a company is honest with its employees, the employees are then more likely to be honest in their work activities.

Investor loyalty and trust come from a company promoting an ethical culture which provides a foundation for efficiency, productivity, and profits. When shareholders see a company that does not behave with integrity, they are less likely to invest into the company. Negative publicity, lawsuits, and fines can result from unethical practices. Without investor backing, a company could fail. Customer satisfaction and trust is probably the most important factor. A company must develop and adapt products to keep up with customer's preferences as well as develop a long term relationship with the customers.

By focusing on customer satisfaction first, a company provides an opportunity for positive feedback. A happy customer will come back while an

unsatisfied customer will tell others and encourage others from dealing with the company. Altogether, employee commitment and trust, investor loyalty and trust, and customer satisfaction and trust contributes to profits. Without even just one of these important factors, a company could possibly go under. For example, if the company didn't take care of its employees, the employees wouldn't work as hard and wouldn't earn as many profits. Without investor loyalty, stocks would lose value and funding for company projects would diminish. Without customer satisfaction, there would be no client base.

Overall, a company with good ethical culture with employee, investor, and customer best interests at heart will be successful. Research shows that companies that strive to have a good reputation have increased efficiency in operations, greater employee commitment, increased investments, improved customer satisfaction, and financial performance. This reputation has a major effect on a company's relationships with all involved parties and therefore has the potential to affect the bottom line. Read about business ethics reflection paper