# Advantages and disadvantages of business ethics persuasive essay

Business, Business Ethics

# Introduction

Ethically upright or socially responsible businesses are those that aim at attaining their organizationalgoalswhile at the same time morally serving the interests of all their stakeholders. According to Shaw (2010), ethical business practices also involve fairly competing with business rivals in the industry. Even though all businesses are expected to act in an ethical and socially responsible manner, several cases have arisen where even large multinationals have been exposed for unethical business practices (Trevino & Nelson, 2010). This indicates that strict adherence to business moral codes may be challenging in the present-day businessenvironment. This paper intends to highlight some of the benefits, drawbacks and challenges that are associated with socially responsible and ethical business practices. Business cases are also used to support arguments presented in the paper.

# Strengths

One of the key benefits a business can get from acting ethically is that can keep its reputation intact or even improve it (Ferrell et al., 2011). This ultimately strengthens its brand position by attracting a higher number of customers and skilled employees that seek to be associated with the company. It also reduces cases of employee turnover and associated costs, and attracts more investors and shareholders (Trevino & Nelson, 2010). On the contrary, exposed unethical practices in a business can have detrimental impacts, which include losing employees and customers and in some cases, collapse of the business (Chua & Rahman, 2011). However, there are still many companies whose practices are not entirely ethical, but they have not faced any challenges in their operations. Such examples are rampant in developing countries. One of the companies that have benefited from sticking to the ethical codes of business is Johnson & Johnson, which lost close to $100 million as it recalled 31 million bottles of its best-selling product (Teynol) after it noticed that the product's capsules had been accidentally laced by cyanide. The company later replaced the recalled bottles with safer ones at no charge to the affected stores. Not only did Johnson & Johnson take the burden for the losses that could have been incurred by the store, it also showed that it valued its customers' lives more than the profits it could have made. This enabled the company to win back the trust of its customers and within a year, it had regained its original level of sales (Rehak, 2002). On the other hand, Enron, which was exposed forfinancial statementfraud attempts, lost its reputation and later collapsed (Shaw, 2010).

There are several business aspects that can be evaluated to establish how ethically or socially responsible a business is acting. For instance, companies should ensure that their goods and services are designed in adherence to the set regulatory standards (Ferrell et al., 2011). In addition to this, companies need to ensure that their impact on the environment is controlled to minimize the adverse effects it may have to the surrounding community. According to Trevino and Nelson (2010), companies are also supposed to diligently pay taxes they owe the government, ensure their employees' working conditions are safe and compete fairly. This means that ethical business practices not only benefit corporations but also individual and communities that interact directly and indirectly with the company. Whilst this is the case, some business stakeholders stand to benefit more than others.

## Limitations of ethical Business Practices

Even though ethical business practices have positive impacts on businesses, there are also limitations that it may have on them, especially in the current business environment. One of the limitations lies in the cost they incur in executing corporate socialresponsibilityinitiatives. According to Lindgreen and Swaen (2010), CSR policies are meant to make sure that the organizations recognize and deliver their responsibilities to all stakeholders, which include the community, suppliers and consumers. Whilst it is argued by proponents of CSR that it will have long-term benefits, the initial financial cost to the organization is usually quite high. In addition to this, Hopkins (2012) argues that implementing CSR initiatives may cause the company to lose its focus on its main objective, which is making a profit. However, given that companies depend on customers to make profits, they are obliged to ensure that they attract them by all means, one of them being creation of a good reputation through CSR initiatives.

Pride et al. (2009) argue that ethical business practices minimize the opportunities for business to increase their profits. With reference to developing countries that are still characterized by corruption, multinational companies that are ethical may decline to offer bribes for favours. Therefore, they might fail to set up operations in such countries or if they start operations, an unfair competition orchestrated by political forces may limit them from attaining their operational capacity. There are also several companies where employees may be paid low wages or raw materials are bought are sub-standard prices to increase their profitability. Such “ opportunities” may be missed out by companies that dedicated to acting ethically. However, it can be argued that restriction of company freedoms by ethical practices is beneficial to the wider society.

## Challenges of implementing ethical and socially responsible business practices

One of the main challenges faced by businesses in implementing ethical and socially responsible business practices is the large number of stakeholders involved (Ferrell et al., 2011). While it is often at the interest of the business to cater for the needs of all its stakeholders, it is often difficult to achieve. This causes some business to unwillingly act unethically, either directly or indirectly. An example of such a situation is when a company gets its supplies from one supplier with which it has created a relationship over time. If the company later realizes that the supplier useschild labourto prepare the supplied raw materials, it might be challenging for it to immediately cut off such a supplier. This is because the welfares of other stakeholders in the organization depend on the constant supply of raw materials.

A case of a company that is in such a dilemma is Wal-Mart. In an effort to dissociate itself with factories with labour violations and safety problems, the company produced a list of 200 factories, barring them from supplying merchandise to them in 2011. However, two years later, the US customs records indicated that at least two among the two hundred barred companies were still sending merchandise to Wal-Mart. A similar case was established to be happening with Wal-Mart Canada. In Wal-Mart's defence, it was stated that the companies were still supplying to Wal-Mart because of a confusion that existed as to whether its standards applied. This was because the supplier in question was producing garments under the label of another company (Grabell, 2013). This is a typical example of the challenges that companies face in implementation of ethical and socially responsible practices. To overcome such challenges, companies should formulate ethical policies that dictate the steps that have to be undertaken in case such situations arise. This will enable companies like Wal-Mart to avoid scandals of this type.

## Conclusion

Ethical business practices are supposed to be carried out in all business aspects, which include product design, procurement, preparation of financial statements and recruitment of staff, among others. As it has been presented in this paper, adherence to principles of business ethics may be beneficial to the organization, customers, employee and other stakeholders that are affected directly or indirectly by the organization. It has also been pointed out that adherence to ethical and socially responsible business principles may be disadvantageous to the company. However, the organizational disadvantages that may be caused by this are argued to be advantages to the wider society. The key challenge to implementation of ethical and socially responsible business practices is posed by the large number of stakeholders involved. Therefore, whilst companies are encouraged to act ethically, they have to be aware of the limitations and challenges involved.

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