

# What are advantages and disadvantages of business ethics

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## Business Ethics

Some commentators, such as Milton Friedman, believe that the "primary and only responsibility of business is to make money" while abiding by the law. Supporters of this point of view argue that companies' self-interested pursuit of profit benefits the whole of society. Profitable businesses clearly benefit shareholders, but other commentators, such as Edward Freeman, argue that businesses should also benefit other stakeholders.

Stakeholders are people and groups with whom the business has a relationship. This includes shareholders, but extends out to include employees, their families, the community within which the business operates, customers and suppliers.

## **Advantages and Disadvantages of Being an Ethical Business**

### Advantages

Business ethics offer companies a competitive advantage. Consumers learn to trust ethical brands and remain loyal to them, even during difficult periods. In 1982, Johnson & Johnson spent over \$100 million dollars recalling Tylenol, its best-selling product, after someone tampered with bottles of the painkiller.

The company followed its credo, a set of ethical organizational values, and the result was a boost in consumer confidence, despite the contamination scare. Society benefits from business ethics because ethical companies recognize their social responsibilities. Disadvantages of business ethics reduce a company's freedom to maximize its profit. For example, a

multinational company may move its manufacturing facility to a developing country to reduce costs. Practices acceptable in that country, such as child labor, poor health and safety, poverty-level wages and coerced employment, will not be tolerated by an ethical company.

Improvements in working conditions, such as a living wage and minimum health and safety standards, reduce the level of cost-savings that the company generates. However, it could be argued that the restrictions on company freedom benefit wider society. People, Planet, Profit Companies increasingly recognize the need to commit to business ethics and measure their success by more than just profitability. This has led to the introduction of the triple bottom line, also known as "people, planet, profit." Companies report on their financial, social and environmental performance.

The Dow Jones Sustainability Index benchmarks companies who report their performance based on the triple bottom line. This type of performance reporting acknowledges that companies must make a profit to survive, but encourages ethical and sustainable business conduct. Purpose of ethical theory An ethical theory is to provide theory for people to value human beings through their behaviors, to assess a person if he/she is ethical good or bad through his/her actions, like be honest, not to steal, not to kill, etc.

Although there are basic moralities that every person follows in all places (Beauchamp & Bowie, 2004), in different background culture or different situations, people have different judgments about the actions. Ethical theory gives us a guide to choose the best option of actions in a certain situation

which counts as most significant ethically. Ethical people are those who recognize the difference between right and wrong and consistently strive to set an example of good conduct. In a business setting, being ethical means applying principles of honesty and fairness to relationships with coworkers and customers.

Ethical individuals make an effort to treat everyone with whom they come in contact as they would want to be treated themselves. Build

Customer Loyalty Consumers may let a company take advantage of them once, but if they believe they have been treated unfairly, such as by being overcharged, they will not be repeat customers. Having a loyal customer base is one of the keys to long-range business success because serving an existing customer doesn't involve marketing cost, as does acquiring a new one.

A company's reputation for ethical behavior can help it create a more positive image in the marketplace, which can bring in new customers through word-of-mouth referrals. Conversely, a reputation for unethical dealings hurts the company's chances to obtain new customers, particularly in this age of social networking when dissatisfied customers can quickly disseminate information about the negative experience they had. Retain Good Employees Talented individuals at all levels of an organization want to be compensated fairly for their work and dedication.

They want career advancement within the organization to be based on the quality of the work they do and not on favoritism. They want to be part of a

company whose management team tells them the truth about what is going on, such as when layoffs or reorganizations are being contemplated.

Companies who are fair and open in their dealings with employees have a better chance of retaining the most talented people. Employees who do not believe the compensation methodology is fair are often not as dedicated to their jobs as they could be. Positive WorkEnvironment

Employees have a responsibility to be ethical from the moment they have their first job interview. They must be honest about their capabilities and experience. Ethical employees are perceived as team players rather than as individuals just out for themselves. They develop positive relationships with coworkers. Their supervisors trust them with confidential information and they are often given more autonomy as a result. Employees who are caught in lies by their supervisors damage their chances of advancement within the organization and may risk being fired.

An extreme case of poor ethics is employee theft. In some industries, this can cost the business a significant amount of money, such as restaurants whose employees steal food from the storage locker or freezer.

**Avoid Legal Problems** At times, a company's management may be tempted to cut corners in pursuit of profit, such as not fully complying with environmental regulations or labor laws, ignoring worker safety hazards or using substandard materials in their products. The penalties for being caught can be severe, including legal fees and fines or sanctions by governmental agencies.

The resulting negative publicity can cause long-range damage to the company's reputation that is even more costly than the legal fees or fines. Companies that maintain the highest ethical standards take the time to train every member of the organization about the conduct that is expected of them.

#### Disadvantage: Polarization of Society

Because it offers such an integral look into human nature, ethics -- as a branch of philosophy-- tends to create divisions among those of varying opinions. Within the United States, the reverberations of this effect are at the core of government policy.

Two groups, such as Pro-Choice and Pro-Life, work from similar facts and land on different notions of what is ethically and morally "right." These rifts within society may slow down legislation and other government progress.

**Advantage: Simplification** One advantage of any firm ethical system is that when the time comes to make a decision, there is often an existing framework for making that decision. For example, if an ethical system decides that theft is wrong in all circumstances, then any person who firmly believes in that ethical system should be able to turn away ideas of stealing.

This process can expedite decision-making in general, as it has often already answered questions that may arise.

**Disadvantage: Varied Theories and Constant Change** Ethics, as a whole, is a branch of philosophy that many consider to be necessarily unfinished.

As technology and culture changes, new ethical issues are always arising, such as ethics within distributing content online. Likewise, issues of "cultural relativism" can create various interpretations of similar issues simply through the specific traditions of any given culture.

These problems, and others, cause ethics to be a field of tumultuous change with highly varied interpretation.

Advantage: Building "Good" The Internet

Encyclopedia of Philosophy notes that ethics "involves systematising, defending and recommending concepts of right and wrong behaviour." As such, the field is, by and large, dedicated to helping derive systems for understanding and improving human behaviour. As an end-result of finding and invoking a true ethical system, the world should evolve into a safer, friendlier and happier place. Benefits

If we have an ethical behaviour in our career we can do so much good. Due to this our business grows very much. Because due to this a discipline is develop in us and then we can set a high slandered and high level in our business. Bellows there are somegoalswe can use for continuous development. Working without deadly mishap. Eliminating work related diseases. We can increase varieties in our business. Increasing benefits of removal for local Increasing the benefits of mining for local areas. increasing energy competence By working towards these goals, we hope to gain a competitive benefit.

It is also help with its position on stock market. Many long terms sever, like pension funds that are run investments for millions of normal people in the foreign countries, think that to consider social and ethical issues is important for the company. Due to this the company puts in a stronger position. Ethical behaviour will help businesses to attain better height and is because it does what business should actually do and helps them in developing discipline, which will push, business work practise to a high level and set a high standard.

It actually promotes teamwork among worker. And this is because there is great respect place in elementary issues in the work place. Ethical behaviour also build confidence that will translate to trust among worker and they are more motivated towards theirs tasks. Ethical behaviour is really becoming very important for all our society because in the end it contributing in our society. It is not only contributing to our society directly but also keep the trust of the society. At the work place people who face ethical matter are versatile.

The ethical behaviour do contribute the organization in term of profit which is usually higher then the firm which are actually not operating ethically and are operating for their own interest. Business activities that meet the requirements of the law, but which are considered unfair by stakeholders can result in bad publicity. The best example is of a restaurant that pay minimum wage but keeps staff tips to boost profits is not breaking the law, however, run the risk of losing the goodwill of costumers.



As I understand it, one of the best kept secrets in Congress is that many Congressional members have unpaid "personal" aides who, because they are unpaid, do not have to disclose their financial holdings like other paid staff do. I have no doubt that many, if not all, of the problems cited in this article are also happening with these "unpaid" staff members and that this is a source of a lot of Congressional problems with lack of management, inattention to major problems of the country, and so forth.

This situation is a result of so-called campaign financereform. We were better off when a few dozen large companies and big political contributors funneled money into the Congress, and they didn't have to grub money from tens of thousands of other smaller contributors. The cure of campaign finance reform is worse than the disease.

But instead of loosening up on US companies to make it easier to deal with corruption, we should instead be encouraging others to do what we have done with our law. India is beginning to move in the direction of cracking down on corruption, and we seem to be moving away from it. And it's because of the corruption in the Congressional staff that this is the case.

This is a shoddy piece of reporting. Must be summertime. Even a cursory big-picture review of the topic would lead anyone to see that this is an issue faced by businesses and cultures around the world. The unambiguous trend is to stamp-out this kind of corruption. A one-word example: Siemens. The FCPA may have been 20 years before its' time, but it's merits have become

abundantly clear to many, if not most. I say this as someone who has been involved in international business for many years.

OK - so, the US Chamber of Commerce seems to have fallen into the mud in an effort to promote short-term profit to the exclusion of everything else. (Honestly, I'm disappointed by the Chamber's narrow-minded view). That said, I expect a reporter of Mr. Hilzenrath's pedigree to make a serious, professional effort to provide useful perspective on a complex and challenging issue.

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