

Theories of business ethics: absolute and relative



Introduction to Business Ethics:

Business ethics is the critical study and analysis of the ethical dilemmas and issues that are raised by business activity. This introductory workshop will include discussions of practical case studies as well as some grounding in a number of ethical theories. The discussion-based format is designed to encourage ethical literacy in students by allowing them the opportunity to think about and debate the sorts of ethical problems they may face in the world of commercial activity. Business ethics is an applied branch of general ethics must be studied from the perspective of philosophy. This is because ethics is a part of moral principles; we will not know ethics without being philosophical.

Development and background of theoretical ethical approaches

Ethics have been part of medicine from the beginning. Some statements in the Hippocratic Oath deal with professional medical ethics. Ibn Sina wrote about ethics. Concern with ethics in the past was not as intensive as it is at the moment. It was assumed that physicians would be ethical and moral in their work and this was true to a large extent because religiosity was a leading characteristic of life in the past. Towards the last quarter of the 20th century ethical considerations became a major concern for two reasons. The first reason is that developments in medical technology gave rise to problems such as life-support, in-vitro fertilization and others that had moral dimensions.

European ethics is defined as various ways of understanding and examining the moral life. The approach to a moral problem in medicine is determined by the background culture, philosophy of life and worldview. There are three European approaches to ethical analysis: normative or practical, and non-normative ethics. The normative is what ought to be done. Applied ethics is what most people do. It seeks to find practical solutions to actual problems without necessarily theoretical considerations. Non-normative ethics tries to establish factually what the actual situation is. Non-normative ethics is a description of what is going on. It may also be related to language, concepts, methods, and meanings. (Sr., 2001)

Business ethics is the attitude and ways in which a business is formed and the way in which a business deal with the world. Many businesses behave in divert or different ways depend on the way it's formed by the owners of the business. Business ethics can be described as principle and standard that is guiding behaviour of people in the business. Many business have different reputation depends on the ways in which they are formed some business have bad reputation while some have bad reputation. Some businesses are formed for money making venture while some are formed because they want to make money and at the same time want to give its customers maximum satisfaction. The way in which a business is formed brings about ethical behaviour. Ethics is a set of moral principles that a business should follow and values that a business should embraced in order for a business to be successful. Most business should have a code of ethics in order for the business to have a principle guiding the business so that the business can be flourishing. (Matten, 1997)

Compare and contrast absolute and relative ethics.

Absolute and relative ethics:

Personal and cultural values are relative in that they differ between people, and on a larger scale, between people of different cultures. On the other hand, there are theories of the existence of absolute values, which can also be termed nominal values (and not to be confused with mathematical absolute value). An absolute value can be described as philosophically and independent of individual and cultural views, as well as independent of whether it is known or apprehended or not.

Relative value may be regarded as an 'experience' by subjects of the absolute value. Relative value thus varies with individual and cultural interpretation, while absolute value remains constant, regardless of individual or collective 'experience' of it.

In absolute ethics the belief that there is only one truth and code of conduct which people generally believe in, which everyone obeys and is the truth and everyone must obey it and people must be aware of it. The general belief is that there is a universal moral standard. There is a difference between what is right and wrong.

In relative ethics the belief of relative ethics is based on the fact that there is only a single moral standard which applies to all human beings. The moral ideas and beliefs of human beings differ from one another and also people believe in different parts of the world are also different from one another which show that there is no stable moral standard in the world. Relative ethics say there is no

universal moral standard in the world. The relative ethics says that there is no difference between what is right and what is wrong. (Tibor, 1978)

Ethical issues which can affect the operational activities of business:

Ethics refers to a prescribed or accepted code of conduct. Ethical issues are a set of moral values that need to be addressed while carrying out business. Businesses operate in a society that is structured around moral values. Therefore, when conducting its operations, a business has certain responsibilities which are to provide the society with quality goods and services that will improve the people's living standards.

In order to survive, a business needs to maintain its customers. Product packaging is one way of ensuring a business maintains its existing customers and also acquire new customers. Some companies are known to allow underweight packaging of products which are then highly priced and this is a rude way of increasing profits. However this negative trend will affect the business in the long run as customers will eventually come to learn that they are being swindled. In an attempt to boost sales, some businessmen adapt promotional methods that mislead customers as the message conveyed may not give the exact details of the product. Businesses should desist from increasing prices without valid reasons. In doing so, they will be taking advantage of the customer and this is unethical. Businessmen should also desist from taking part in corrupt practices such as selling low standard goods while bribing government officials in order to continue operating. Entrepreneurs should consider the effects of their activities on the society they serve.

In the long run, wrong dealings and corruption will tarnish the image of the business and have a negative effect on sales. Business people ought to comply with the law requirements and observe laid down principles of morality in their dealings. They should seriously consider expectations of the community they serve. (Nyabwa, 2010)

Business objectives are affected by the ethical consideration

Ethical Consideration:

Ethical considerations help a business to achieve its aims and objectives of the business. Ethical considerations is very important in a business when business are done ethically the business will be profitable and meet the expectation of its stakeholders. For instance a good example is child labour in some cloth retailer in the United Kingdom where the production plant is in Asia, the workers are paid below the minimum wages and also subject to poor working conditions. This is noted to be unethical to business and to workers who are being paid below the minimum wages because according to the labour law, all workers must be paid minimum wage and when workers are paid below the minimum wages it is termed to be unfair. The following are the business objectives.

Profitability:

The aims and objectives of every business is to make profit although some organisation are formed for charity purpose but most business are formed because they want to make profit and meet the demand of its customers at all time.

Ethical and social responsibility:

The purpose of every business objective is based on the belief and how to make its environment friendly to customers and safe. Some business also belief to take care or provide for the less privilege in our society especially the disabled who need special care, for instance in the UK the government provide special disable toilet for all the disable and they can make use of the toilet in all the public places.

Meet the stakeholder's expectation:

Every business is formed by people who are responsible for the affairs and who has interest in all the activities of the organisation. There are various stakeholders who are part of the success and management of every business in an organisation. For examples, customers, suppliers, employees, shareholders and communities are all stakeholders in an organisation who contribute to all the activities in an organisation. The aims of every business are to meet the expectation of all the stakeholders because they are part of the decision maker and they contribute to the success of the business.

Sales Growth:

The aims of most business are to increase its sales. Expand and open more branches and make names because there are so many organisations that are competing with one another so most organisation want to offer the best customers service to all its customers and offer good customers satisfaction to all its customers all time because of strive market competition.

(McDonald, 2003)

Implications of business and its stakeholders to operate ethically

Ethical Business:

Ethical enterprises do more than simply provide goods and services for customers. They also make a real contribution to the communities in which they operate by:

- creating employment and job security
- providing products that give consumers good value for money
- contributing to creating a more caring and cared-for community

(Fishers, 2001)

All businesses have a number of stakeholder groups, each with different interests in what the business does. Business owners – perhaps the key stakeholders – want good financial performance from their investments. Business managers know that it is their first responsibility to deliver good financial results. However, while it was always acknowledged that businesses exist in a diverse social, economic and political environment, today it is also accepted that a business should be managed with the interests of all stakeholders in mind.

Stockholder:

Stockholders are owners of the company. Stockholders invest money into a company and expect the highest return possible. Stockholders want managers to do everything possible to maximize returns, and that means cutting costs and raising revenue. Stockholders are generally averse to any measure that raises costs, unless it also increases the profit margin.

Stockholders want all profits to be passed on to them, but the company itself may want to save those profits for any downturns.

Suppliers and Customers:

Holding on to supplier payments as long as possible damages relationships with those suppliers, but it may add interest to the money in the bank, therefore increasing company profits and stockholder returns. Suppliers expect loyalty. Companies may choose cheaper products or parts from suppliers that may not be the same quality, but will be lower cost. Customers do not want inferior products, but they are price sensitive and want savings passed on to them.

Employees and Society:

Giving pay raises or paying severance pay reduces the profits of the firm, therefore reducing the stockholders' returns on their investment. Employees expect raises and bonuses when the company is profitable. Outsourcing labour to other countries affects both employees and society negatively, especially if the other country encourages child labour or poor wages. Outsourcing also causes distrust, decreased motivation and low morale in employees. (Smith, 2007) Task 3

Role of company acting as moral agent:**Moral Agent:**

A moral agent is a being that is "capable of acting with reference to right and wrong". A moral agent is anything that can be held responsible for behaviour or decisions. "It is moral agents who have rights and responsibilities, because it is moral agents whom we take to have choices

and the power to choose". If we do not believe that anything or anyone should ever be blamed or deemed responsible, then we are going against the idea of moral agency, and denying the concept of responsibilities and rights.

Role of Company:

When company is deemed a moral agent, it does not necessarily mean that they are successfully making moral decisions. It means that they are in a category that enables them to be blamed. If someone is unable to be blamed, then they do not have rights. Being a moral agent means that they can be held responsible for their decisions and behaviours, whether they are good or bad.

All of your business's decisions, whether ethical or not, will affect the world, starting with your employees and your customers and extending to the larger community. Low wages will likely result in a low-skilled or unhappy work force. A poorly made or dangerous product could harm a customer. Monitor the short- and long-term effects of your business decisions to ensure your organization impacts the world in a positive way

In some sense, all members of an organization are responsible for the effects of its initiatives. But top-level managers often have access to information that low-level employees do not, so they bear a larger portion of responsibility for the organization's decisions. Low-rung employees have less knowledge and power, so they have less responsibility for the results of the organization's actions. (Mack, 2009)

Development of the mechanism for achieving employee involvement and empowerment

Employee involvement is a philosophy practiced by companies that gives their employees stake in decisions that directly affect their jobs, while employee empowerment is a corporate structure that allows non-managerial employees to make autonomous decisions. Each one is a distinct practice and is usually mutually exclusive to one another, though the benefits can be similar.

The main benefits of employee involvement and empowerment are enhanced morale, more productivity and innovation.

Enhanced Morale:

Involving employees in decisions and policy changes that directly affect their job, while empowering employees to be more autonomous, greatly improves morale at large. When employees are treated as an asset and their input is given consideration, confidence increases among every team member, and the company sees significant gains in different facets such as productivity and loyalty.

Improved Productivity:

Employee involvement and empowerment translates directly into increased productivity. Employees with an investment in the company's best interest increase their role in the company, fostering a stronger work ethic.

Innovation:

Employee empowerment helps to cultivate innovation. Employees that have a stake in the company's growth and sustainability will offer more ideas and problem-solving solutions when obstacles arise. Moreover, as the employee meets particular challenges or finds improvements in policies, procedures or products, it will foster growth and more critical and imaginative thinking.

(Owen, 2001)