

# Ethics in business, risk management, role of insurance and goodwill

[Business](#)



Ethics, Risks, Insurance & Goodwill in Business Ethics in Business In business environments, ethical principles are applied in making morally upright choices and decisions that affect stakeholders within a commercial setting. In theory, these are seven principled steps employed in making morally sound decisions in business contexts. The first step is communication, which entails letting all stakeholders become aware of an ethical issue under consideration (Jones, 2011). The second step is clarification, which entails collective determination of applicable ethical principles in decision making. Third is evaluation of available alternatives with reference to pre-determined applicable ethical principles. The fourth step is decision making, which involves selecting the most ethically sound alternatives. Fifth is implementation of the approved alternatives. The sixth step involves monitoring both the direct and indirect impacts of the implemented alternatives. Finally, appropriate and justifiable modifications and corrective measures must be undertaken to eliminate undesirable effects of the implemented alternatives (Jones, 2011).

### Risk Management

In essence, risk management proves instrumental in mitigating the effects of negative business trends and incidents, thus reducing the impact of those negative trends to business entities. One practical aspect of risk management is risk tolerance level. Tolerance levels can be marked in terms of time frame, risk capital, and attainment of business objectives (Smith & Zhang, 2010). Personally, my risk capital level is 50% of my net worth.

### Role of Insurance

In contemporary business environments, persons with high risk tolerance

levels can cushion themselves against risks by taking insurance covers.

Insurance covers provide protection and coverage in case of losses resulting from business uncertainties (McDaniel, 2007). For example, insurance covers can compensate insurance policy holders against fire related disasters on their business premises. In practical contexts, insurance policies are sold by insurance brokers. Factors to consider when selecting the right insurance broker include the level of reputation and testimonials from previous and existing clients, specialization field of an insurance broker, and professional fee charged by an insurance broker (McDaniel, 2007).

### Goodwill

In mergers and acquisitions, goodwill is the intangible value of a company's brand reputation, customer relationship standards, and future value of net assets and intellectual properties. Among the parameters used in valuation of goodwill include calculation of net assets, derivation of assets' market value, prediction of income potential associated with the net assets, and forecasting of cost of operation related to the acquired assets (Hitcher, 2002).

### References

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