

Business ethics for successful business

Business



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The article is a descriptive study of an important area associated with consumer behavior in terms of business ethics. The main question highlighted in a holistic form was whether unethical practices in business regarding services become an ultimate cause of business failure. The main aim of any business in today's world is to attract customers, keep them satisfied and make an effort to retain them. Due to an array of reasons, customers are rational and are aware of their costs and returns associated with an investment. They are also exposed to a variety of alternative options to be considered if they are dissatisfied with their current service provider. The study conducted tried to analyze how customers react to a failure in provision in the required service and what are the consequences that a firm can face due to these reactions. In light of the equity theory, consumers demand equity, which is about getting a fair share of return in what they spend.

In the survey conducted, customers were exposed to scenarios with different levels of service such as being exposed to personal experience of being faced with unethical behavior or being indirectly exposed to it by seeing a third party being negatively affected. It was basically hypothesized that different levels of costs and recovery provided to the consumer will have a significantly different impact on customer evaluations.

The survey constituted of a sample of graduate students, employees from the same University and workers of a regional hospital. They were given a separate set of an experimental instrument which had six versions testing the same variables. Finally, the subjects chosen to be tested for service provision were restaurants and hotels. The unethical behavior involved for <https://assignbuster.com/business-ethics-for-successful-business/>

this study was level of service that caused dissatisfaction to consumers who were the direct victims of unethical business behavior. Once the harm is done, there are three consequences of the unethical behavior. These are: 1) Ethical Recovery, 2) Unethical Recovery and 3) No Recovery. In all three cases, the reactions of consumers were seen to be different in terms of satisfaction, quality and cost of recovery, switching to some other alternative and intentions to complain.

In ethical recovery, when the offender tries its best to retain its customer back by making up for the loss in a way that gives the customer a feeling of regained equity proves to give the highest level of satisfaction amongst the three scenarios. The customer when satisfied also feels content with the quality and does not want to switch to another alternate. In the same case his intentions to complain will be weak especially to third parties.

In the unethical recovery and no recovery for unethical behavior, the results that were apparent were quite similar for both. Satisfaction levels for both were low and the cost of recovery was high. The intention to complain was much higher than in the ethical recovery scenario. The means of complaint to be used were private as well as voice complaint and the most critical third party complaint as well that could lead to destructive penalties. The private complaint scenario causes the consumer to complain to his immediate friends and family whereas the voice complaint causes complaints to the offender and the third party complaints may produce bad results for the firm and a bad image in the society as a whole when the complaint reaches a regulator or official mediator who can take corrective action. It leads to an overall feeling of panic and reduced reliability in the overall industry.

Even though the results of the survey have been presented in a very

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understandable and clear form there are still a few limitations about this survey of tracking consumer reactions to unethical business behavior. The first one is the questionable implication of the sample size which was not a random sample and had respondents belonging to a localized area and people with similar characteristics were chosen whose results may not be fair enough to be generalized for the whole population. Moreover there was more or less just one industry chosen (hotels/restaurants) and the results can again not be generalized for all industries.

Ultimately it is vital to note that unethical business behavior does have a negative impact on a firm's health in many ways and needs to be avoided. Unethical behavior can be reduced by effective communication and by giving out the right information regarding provision of services. Moreover, because the ultimate goal is customer satisfaction, they should be involved in decision making by involving their feedback and suggestions.

References

Alexander, E. C. (March 01, 2002). Consumer Reactions to Unethical Service Recovery. *Journal of Business Ethics*, 36, 3, 223-237.