

# Ethics in the contemporary business environment



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Today, companies are more and more concerned with company-customer relationships, which, in their turn, are highly dependent on business policies conducted by companies. In this respect, business ethics plays a particularly important role, especially in the contemporary business environment because customers pay a lot of attention to the public image of companies they are buying products or services from as well as the observation of ethical norms and principles by companies and their leader. As the matter of fact, the unethical behaviour is unacceptable in the contemporary business environment because it leads to the loss of a considerable part of customers, undermines the positive brand image or leads to the formation of a negative one, and, thus, deteriorates consistently the marketing performance of modern companies. Nevertheless, cases of violation of business ethics and unethical business policies still persist in the contemporary business environment. This is why many companies are concerned with the elaboration of effective methods of the prevention of the violation of business ethics and ethical principles. In this respect, the development of code of ethics, code of conduct, and the implementation of traditional fair competition principles can lead to the minimization of the risk of unethical business policies of modern companies or unethical behaviour of their leaders. In such a way, the prevention of unethical policies is essential in the contemporary business environment because it maintains positive marketing performance and allows companies to maintain their competitive position fairly, but the implementation of ethical business policies still confronts substantial difficulties, which can be eliminated by mutual efforts of companies' leaders, employees and customers as well as all stakeholders

involved in business that means that the establishment of ethical standards in business is essential.

## **Importance of ethics in the contemporary business environment**

Modern businessmen can hardly underestimate the importance of business ethics in the contemporary business environment. Traditionally, business ethics played an important part in the development of business because companies were and still are extremely concerned with their reputation and public image of their brand because the deterioration of the brand image or the formation of a negative attitude of customers to a brand would and will inevitably lead to the overall deterioration of the marketing performance of a company. Today, the importance of ethical business policies has increased even more because the globalization of economy contributed to the consistent growth of competition between companies. As a result, companies are growing more and more concerned with their positive public image. Moreover, many companies spend a considerable part of their revenues on the formation of a positive brand image to attract new customers and to stimulate loyalty of existing customers.

At this point, it is important to understand what ethics actually means for business. In this respect, it is hardly possible to give a clear and concise definition of ethics in business policies but still it is possible to find the common definition of ethics which gives insight to understanding essence and basic principles of business ethics in regard to business policies. In fact, specialists define ethics as follows:

Ethics or simple honesty is the building blocks upon which our whole society is based, and business is a part of our society, and it's integral to the practice of being able to conduct business, that you have a set of honest standards. And it's much easier to do business with someone when you look them in the eye and say, " This is what we're going to do," and you understand what you each mean, and you can go away and get it done. (Brown, 2003, p. 169).

In such a way, ethics in business policy may be viewed a set of honest standards but it is important to understand that standards, or to put it more precisely ethical standards, established within a company should meet the general standards that are commonly acceptable and applied in the society. What is meant here is the fact that ethical business policies should mirror ethical norms, values and standards established within the society.

At the same time, companies should guide customers using ethical principles. In other words, companies should show customers positive models of behavior and positive business patterns, which are ethically correct. Customers, in their turn, naturally prefer companies that conduct ethical and responsible policies in relation to customers, environment, employees, and so on. At this point, it is worth mentioning the fact that companies cannot ignore the position of customers and they should develop their business policies respectively to needs and demands of customers.

On the other hand, many companies are concerned with the maximization of their profits. However, they cannot use the principle that ends justify means because this principle leads to unethical business policies and, in the

contemporary business environment, this means that this principle leads companies to the dead end. In this respect, some specialists do not believe that “maximizing profits for the investors is the only acceptable justification for all corporate actions. The investors are not the only people who matter. Corporations can exist for purposes other than simply maximizing profits.” (Hesselbein, et al., 1996). In such a way, the maximization of profits should not outweigh ethical business policies. In stark contrast, specialists (Dessler, 2004) believe that ethics should prevail over profits.

### **Negative effects of the violation of ethical norms and principles**

At first glance, the importance of ethical business policies lies in the moral, philosophical domain and has little to do with business and actual business practices. In fact, ethics seems to have no effect on business. At any rate, it is not easy to trace a close relationship between the violation of business ethics and the deterioration of the marketing performance of a company. In stark contrast, many companies, especially in developing countries, use unethical principles to gain a competitive advantage compared to rivals. However, in actuality, the violation of ethical norms and principles does have a negative impact on the development of company-customer relationships, whereas, in the most serious cases, it may lead to the ruin of a company.

It proves beyond a doubt that the violation of ethical norms and principles leads to negative outcomes for companies violating these norms and principles. In this respect, it is important to lay emphasis on the fact that the violation of ethical norms and principles in business policies is closely

intertwined with the violation of legal norms. At this point, it is possible to refer to the example of Enron as well as other similar cases. Enron, being a large corporation, violated basic legal norms and ethical principles deceiving stakeholders that eventually led to the ruin of the company. Remarkably, it is top executives of Enron who are responsible for the violation of business ethics and legal norms. Anyway, the example of Enron reveals the extent to which the violation of ethical norms and principles may be dangerous in the contemporary business environment. Or else, Wal-Mart, one of the largest retailers in the world is severely criticized for the violation of ethical norms and principles in relation to both customers and employees. Obviously, this criticism leads to the deterioration of the public image of Wal-Mart and many customers rush from Wal-Mart stores to its competitors, which are not involved in scandals related to the violation of business ethics.

### **Customer satisfaction and observation of ethical principles**

In actuality, the deterioration of the public image of a brand or the deterioration of the company-customer relationship is the major threat resulting from the violation of ethics. In fact, companies focus all their efforts on the attraction of customers to their products and services. However, modern customers do not consume products and services blindly. Taking into consideration the growing competition, consumers have a great choice of products and services. In such a situation, they are naturally concerned with the ethical background and business policies conducted by a company they are buying products or services from. For instance, many oil companies, such as Shell, suffered from considerable financial losses after accidents leading to the pollution of sea with oil products. In this regard, losses in the

American market were particularly significant for Shell (Benfari, 1999). But the problem was not the accidents proper but their impact on the environment, which was extremely negative that contradicted to ethical norms, principles and standards established in the society. Therefore, many consumers just refused to buy products and services sold under the Shell brand. Hence, the sale rates of Shell fell that was the result of the unethical business policies because the company did not protect the environment and caused considerable harms to flora and fauna.

In such a situation, many companies suffer from the loss of customer loyalty because of the violation of ethical norms and principles. In the contemporary business environment, the loss of customer loyalty and the deterioration of the public image of a company can undermine the position of the company in the market. Eventually, the ongoing implementation of unethical business policies leads to the ruin of a company because such policies ruin company-customer relationships which are core of the successful marketing performance.

## **Code of ethics**

In such a context, it is obvious that the implementation of ethical business policies is essential for the effective business development, formation of positive company-customer relationships and the overall improvement of the marketing performance of modern companies. At this point, it is important to lay emphasis on the fact that it is not only customers that force companies to conduct ethical business policies but other stakeholders as well, including employees, business partners, and others. At the same time, the implementation of ethical business policies can confront substantial

difficulties because companies that use unethical methods of competitive struggle can get a competitive advantage, especially if they operate in developing countries. In developed countries, unethical business practices are likely to lead to the failure of a company using such practices.

On the other hand, there is a problem of effective mechanisms that can introduce ethical business policies in modern companies. In this respect, many specialists (Khor, 2001) recommend introducing Codes of ethics within organizations, which help companies to establish clear and comprehensible ethical standards employees and managers should follow, regardless of their position in a company, experience, and so on. Codes of ethics should include basic ethical norms and principles as well as the code of conduct which employees and managers should follow strictly. The violation of ethical norms and principles should lead to the punishment of employees or managers that have violated these norms and principles to the extent that employees and managers violating ethical norms and principles on the regular basis can lose their job.

Finally, leaders play a very important role in the successful implementation of ethical business practices. It is leaders, who are responsible for business policies conducted by companies. At the same time, it is leaders, who lead their subordinates and show them positive, ethically correct models of behaviour.

## **Conclusion**

Thus, taking into account all above mentioned, it is possible to stress that ethics is extremely important in the contemporary business environment.



The violation of ethical norms and principles undermines company-customer relationships, relationships of companies with their business partners, and, eventually, leads to the deterioration of their marketing performance, whereas in the most serious cases, the violation of ethics may lead to the ruin of a company, as was the case of Enron and others. In such a situation, companies are growing more and more concerned with the elaboration of effective methods of the implementation of ethical business policies. In this regard, the development of Codes of ethics may be quite effective but the effective implementation of Codes of ethics depends on the responsibility of leaders, who should guide their subordinates and show them a positive model of behaviour to follow.