

Business Ethics

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Abstract- Business ethics being part of the larger social ethics, always been affected by the ethics of the era. At dissimilar times of the world, people, particularly leaders of the world, were blind to ethics and morality which were clearly unethical to the succeeding period.

History of business is tainted by and throughout the history of Slavery history of colonialism and later by the history of cold war. The current discussion of business ethics is the ethical discussion of the post-colonialism and post-world wars. The need for business ethics in the current era had begun gaining notice since 1970s. In the past, firms started highlighting their ethical stature since the late 1980s and early 1990s, as the world witness grave economic and natural disasters because of unethical business practices.

Index Terms- business ethics, ethical problems, and international business ethics

I. INTRODUCTION

Importance of ethics in the business world is superlative and global. New trends and Issues arise on a daily basis which may create an important burden to organizations and end consumers. Nowadays, the need for proper ethical behaviour within organizations has become Crucial to avoid possible lawsuits. The public scandals of corporate malfeasance and misleading practices, have affected the public perception of many organizations (e. g., Enron, Arthur Andersen, WorldCom etc.). It is widely known that advertising does not promote the advancement of human moral sensibility. Lasch's contention (1978: 1) that modern advertising "Seeks to create needs, not to fulfil them: to generate new anxieties instead of allaying old ones. The recent expansion of global business and fall of trade barriers worldwide have further Underlined the interest in the topics of ethical behaviour and social responsibility (See among Others, Jones, 1991: 366-395). In addition, as many scholars believe, human rights and environmental conservation are gaining increasing more recognition in both academic and commercial settings.

As multinational companies expand globally and enter foreign markets, ethical conduct of the officers and employees assume added importance since the very cultural diversity associated with such expansion may undermine the much shared cultural and ethical values observable in the more homogeneous organizations (Mahdavi, 2001). Although understanding of other cultures and recognition of differences among them will enhance the cross-cultural communication, it may not be sufficient to provide viable guidelines of proper ethical behaviour in organizations. Thus, concerns about unethical behaviour of corporations in other countries, are manifested in legislations such as The Foreign Corrupt Practices Act of 1977, and the

Sarbane-Oxley Act of 2002. In the academic arena, on the other hand, the culture-based consequentiality model is developed to explain, among other things, how cultural differences alter the ethical perception and actions of individuals engaged in making decisions with ethical overtones (Robertson and Fadil, 1999: 385-392).

Training sessions, codes of Journal of Academic and Business Ethics International Business Ethics, Page 3 ethics, reward systems, and coaching are a few methods that organizations employ in this regard (Delaney and Sockell, 1992:719-727; Laczniak and Indemedden, 1987: 297-307; Jansen and Von Glinow, 1985: 814-822).

Therefore, the problems that organizations face today are: How ethical values are communicated most effectively to employees? Which communication channel works best? American business in spite of all of its faults and weaknesses, still form a key model for much of the world. An important force in disseminating the American style of management is the role of the U.S. as the world's largest manufacturer of contemporary culture. Moreover, many researchers have pointed to the significant role that the American business schools play in propagating the U.S. style of management throughout the world. (See Mahdavi, 2001; and Nimgade, 1989:104, among others) Morf (1999: 265) believes: "Ethics is the moral principle that individuals inject into their decision making process and that helps temper the last outcome to conform to the norms of their society". Moreover, ethical principles have the very profound function of making behaviour predictable (Mahdavi, 2003). The truly global companies must come to grips with the legal and moral atmosphere in which they operate. But above all, they need to establish an environment that fosters ethical behaviour, because in the final analysis to do otherwise cuts into their profitability.

In contrast to this view a group of scholars put forth the theory of Virtuous Ethics, which is defined as a theory that focuses mainly on an individual's moral character. According to these scholars, marketing researchers have paid little attention to virtuous ethics. Furthermore, they propose that without taking virtuous ethics into account, a comprehensive analysis of the ethical character of marketing decision makers and their strategies cannot be attained.

Research suggests that ethical or unethical behaviour in business organizations is a function of both individual characteristics and contextual factors, and among these factors, organizational culture is one of the key influences (Meyers, 2004; Frederick, 1995; Trevino & Nelson, 2004). Research by Trevino et al. (1999) showed that in the United States (US) ethical business organizations have, as a rule, clearly communicated ethics guidelines or codes of ethics. They have incentive systems that are clearly tied to ethical behaviour, and promote the achievement of both economic outcomes and non-

economic goals (Trevino & Weaver, 2001). According to Gabler (2006), employees of an ethical business have “a sense of responsibility and accountability for their actions and for the actions of others ... and freely raise issues and concerns without fear of retaliation” (p. 339). In such businesses “Managers model the behaviours they demand of others; and ...communicate the importance of integrity when making difficult decisions” (Gabler, 2006, p. 339).

But are the practices, perceived as contributing to the creation of ethical business cultures, the same around the world? Numerous international studies of business ethics were conducted in the last two decades (e.g., Helin & Sandstorm, 2008; Robertson, Gilley, & Street, 2003; Robertson, Olson, Gilley, & Bao, 2008).

Some of these studies focused on the impact of cultural values on business ethics in companies from various countries of Asia, North America, and Europe (e.g., Cheung & Chan, 2005; Husted & Allen, 2008; 2003; Jackson, 2001; Jeffrey, Dilla, & Weatherholt, 2004; Pucetaite & Lamsa, 2008; Rees & Miazhevich, 2008). However, most of the extant studies focused on a limited number of practices and behaviours (e.g., ethical decision making or ethical leadership), and were conducted, as a rule, in a small number of countries. To our knowledge, none of the studies attempted to compare ethical business practices in a large group of companies from a culturally and economically diverse sample of countries of the world. In this paper we explore whether business practices, related to ethical behaviour, are similar or different in business organizations from thirteen *Centre for Ethical Business Cultures®* Dimensions of Ethical Business Cultures. The countries in our study represent a diverse sample of cultures, levels of economic development, and socio-political systems. In this exploratory study, we were not formulating and testing specific hypotheses. Rather, we were interested in finding the evidence of either convergence or divergence of ethical business practices, and identifying specific practices which contribute the most to country (regional) differences and/or similarities.

There has been a growing research interest in the area of business and marketing ethics. Ethics has been studied in almost all business issues except branding. Not a single academic study has been found on branding ethics after an extensive literature search covering the following sources: three online database (ABI Inform Global, Ebsco and Infotrac), three journals (*Journal of Business Ethics*, *Journal of Brand Management* and *Journal of Product and Brand Management*), dozens of books and websites.

Brands may have been in existence for well over a thousand years. But never has any society before seen the power of branding as is witnessed today: Brands are prevalent in every aspect of human life: production and consumption, food and clothing, personality and lifestyle; and from pop culture to politics. Branding is no longer just about adding value to a product; branding represents and promotes lifestyles and brands themselves become a kind of culture. In the words of Hazel Kahan (quoted in Hall, 1999), brands are now gunning for a share of consumers' inner lives, their values, their beliefs, their politics; yes, their souls. The impact of brands and branding is far beyond the field of marketing and advertising. Branding is a social construct as well as an economic construct. As an economic construct, brands have been studied from both

marketing and financial perspectives. As a social construct, brands have not yet been fully understood owing to the dearth of academic research in this area. Advertising is probably the most visible element of marketing but branding is at the centre of any marketing communications. Most problems with advertising have their roots in branding strategy.

A statement that we are living in “one world” misses the significant point that there may be many substantial local as well as regional factors that make a variation in attitudes and behaviour. In addition it is important to note that what may happen at a distance be able to have a great effect on local activity. Business persons, diplomats, media representatives and those from many other groups must recognize, as some have, which the welfare and even continued existence of their enterprises requires a good knowledge of what they may face in foreign climes not to speak of variations even in their native country. “Go global or perish” (Kehoe, 1998) is a fundamental battle cry. Even those who are not active in Operations far from home cannot ignore the impact of the possible indirect influences on Economic or political performance at home. Moreover, attempts to translate local Experience and knowledge to activity elsewhere in the world can lead to less than wished Results. “Business in the global arena may be characterized as a brilliantly structured Mosaic of complexity and diversity, composed of various and different places, peoples, Cultures, customs, laws, mores, processes, and ethical systems, a mosaic that challenges, Excites and, at times, frustrates a global manager” (Ibid.). Lest it be believed that these Factors relate only to business activity one may note that recent and past decisions on a Geopolitical basis often have been made without recognition of the underlying factors faced in those actions. Even on an individual level the challenges can play a role apart From what a manager in charge may be faced with. What may be encountered in tourism?

In a foreign setting, for instance, can often make a great difference in the emotional Experience not to speak of possible difficulties or even dangers for those unable to Recognize their bases.

II. WHY BUSINESS ETHICS?

Discussion on ethics in business is necessary because, business can go unethical, and there are plenty of evidences as in today on unethical corporate practices. Even Adam Smith, in whose name neo-liberal laissez-faire is advocated opined that ‘People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices’ Business does not operate in vacuum. Firms and corporations operate in the social and natural environment. By virtue of existing in the social and natural environment, business is duty bound to be accountable to the natural and social environment in which it survives. Irrespective of the demands and pressures upon it, business, by virtue of its existence is bound to be ethical, for at least two reasons: one, because whatever the business does affects its stakeholders and two, because every juncture of action has trajectories of ethical as well as unethical paths wherein the existence of the business is justified by ethical alternatives it responsibly chooses One of the Business ethics - Wikipedia, the free encyclopaedia . Conditions that brought business ethics to

the forefront is the demise of small scale, high trust and face-to-face enterprises and emergence of huge multinational corporate structures capable of drastically affecting everyday lives of the masses.

III. WHAT IS BUSINESS ETHICS?

Ethics, the search for 'a good way of being' for a wise course of action, as it could be practiced by business firms is called **business ethics**. Ethics in business deals with the ethical path business firms ought to adopt. Afflicting the least suffering to humans and the nature in its entirety, achieving the greatest net benefit to the society and economy enriching the capability of the system in which it is functioning, being fair in all its dealings with its proximate and remote stakeholders, being prepared to correct its mal-habits and nurturing an enduring virtuous corporate character in totality, can be called **business ethics**. It is often suggested from extended utilitarian/ consequentiality position that businesses can often attain short-lived gains by acting in an unethical fashion; however, such behaviours tend to undermine the economy over time. For those who uphold the principles of virtue ethics, all that matters is corporations maintaining character of honesty, fairness and humaneness than being ethical for the sake of better consequences. On the other hand experts of deontological ethics and virtue ethics postulate that what matters is the motive to be ethical than the consequential fallout Jacques Cory, a noted business ethicist observes, "companies should behave ethically and be profitable in parallel, and even if ethics diminishes the profitability of the company, they should still behave ethically". Seen from the Kantian Ethical perspective Business has to consider its remote and proximate stakeholders as ends in themselves and not merely as means toward some other end. A business becomes ethical by assuming the responsibility of "'translating'" the abstract ethical injunctions into series of obligations. However, while translating, we do not just abide by the "'a priori'" ethical injunctions or codes rather Business ethics - Wikipedia, the free encyclopaedia. Respond to the situation in its contextual singularity pragmatically choosing the best alternative course of response from the multiple possibilities. In other words, ethics is a matter of 'responsibility in the experience of absolute decisions made outside of knowledge or given norms'.

IV. INTERNATIONAL BUSINESS ETHICS AND ETHICS OF ECONOMIC SYSTEMS

The issues here are grouped together because they involve a much wider, global view on business ethical matters.

A. *International Business Ethics*

While business ethics emerged as a field in the 1970s, international business ethics did not emerge until the late 1990s, looking back on the international developments of that decade. Many new practical issues arose out of the international context of business. Theoretical issues such as cultural relativity of ethical values receive more emphasis in this field. Other, older issues can be grouped here as well. Issues and subfields include: Ethical issues arising out of international business transactions; bio. E.g. prospecting and bio piracy in the pharmaceutical industry; the fair trade movement; transfer pricing. Issues such as

globalization and cultural imperialism. Varying global standards - e.g. the use of child labour.

The way in which multinationals take advantage of international differences, such as outsourcing production (e.g. clothes) and services (e.g. call centres) to low-wage countries. Foreign countries often use dumping as a competitive threat, selling products at prices lower than their normal value. This can lead to problems in domestic markets. It becomes difficult for these markets to Business ethics - Wikipedia, the free encyclopaedia compete with the pricing set by foreign markets. In 2009, the International Trade Commission has been researching anti-dumping laws. Dumping is often seen as an ethical issue, as larger companies are taking advantage of other less economically advanced companies.

B. *Ethical Problems in International Business*

Getz (1990: 567-577) analyzed international codes of conduct in four entities: (1) the Organization for Economic Cooperation and Development (OECD), which is the primary policymaker for industrialized nations, (2) the International Chamber of Commerce (ICC), which is concerned with fair treatment among multinational corporations, (3) the International Labour Organization (ILO), which is concerned with direct investment in developing countries, and (4) the Center for Transnational Corporations (CTC), whose objective is to maximize the contributions of transnational corporations to economic development and growth and to minimize the negative effects of the activities of these corporations.

These various codes were developed in order to establish order among multinational corporations; although, some organizations refuse to abide by these codes, mainly because national governments have not sanctioned them completely. Without uniform and full enforcement, multinational organizations could have rampant choice in international ethical issues. Underlying this lack of consensus is the issue of national as well as corporate culture (See Hofstede, 1980: 46-47). Every nation is different and every multinational organization is in one way or another distinct in the way they do business, especially in other countries.

In addition to these codes, the moral corporation should address human rights and whistle blowing and the international ethics code under which it operates. These issues are not very new.

In a survey of 300 multinational corporations, 80 percent agreed with seven items being ethical issues for business: (1) employee conflict of interest, (2) inappropriate gifts to corporate personnel, (3) sexual harassment, (4) unauthorized payments, (5) affirmative action (6) employee privacy; and (7) environmental issues (Brooks, 1989; Berenheim, 1987, 1989: 117-129). Journal of Academic and Business Ethics International Business Ethics.

V. ETHICAL CLIMATE AND ETHICAL PROBLEMS

Strategies, such as these codes of ethics, are only one means of achieving the ultimate goal of having ethical international responsibility in the engagement of business worldwide. As stated above, there are many ethical responsibilities faced by multinational organizations.

Theorists generally agree that situational variables such as organizational climate can affect ethical behaviour of individuals (Kelly et al., 1989: 327-340). However, there have been no

attempts to study the relationship of ethical climate of an organization and ethical behaviour of its members.

Ethical climate, it must be emphasized, is not the same as culture is commonly perceived, but rather a broader concept of culture (Schein, 1990, pp. 109-119). Culture is believed to be more associated with deeper beliefs, values and assumptions (Denison, 1996, pp. 619-654).

Therefore, just as one can value an individual's culture by his or her actions and personal activities, ethical climate can be observed on a larger scale; in this case, the organization. Ethical climate is, in essence, the employee's perception of the norms of an organization (Bartels et al. 1998: 799-804).

VI. BUSINESS ETHICS CHALLENGES IN A GLOBAL ECONOMY

Be many substantial local as well as regional factors that make a variation in attitudes and behaviour. In addition it is important to note that what may happen at a distance be able to have a great effect on local activity. Business persons, diplomats, media representatives and those from many other groups must recognize, as some have, which the welfare and even continued existence of their enterprises requires a good knowledge of what they may face in foreign climes not to speak of variations even in their native country. "Go global or perish" (Kehoe, 1998) is a fundamental battle cry. Even those who are not active in operations far from home cannot ignore the impact of the possible indirect influences on economic or political performance at home. Moreover, attempts to translate local experience and knowledge to activity elsewhere in the world can lead to less than wished results. "Business in the global arena may be characterized as a brilliantly structured mosaic of complexity and diversity, composed of various and different places, peoples, cultures, customs, laws, mores, processes, and ethical systems, a mosaic that challenges, exits and, at times, frustrates a global manager" (Ibid.). Lest it be believed that these factors relate only to business activity one may note that recent and past decisions on a geopolitical basis often have been made without recognition of the underlying factors faced in those actions. Even on an individual level the challenges can play a role apart from what a manager in charge may be faced with. What may be encountered in tourism in a foreign setting, for instance, can often make a great difference in the emotional experience not to speak of possible difficulties or even dangers for those unable to recognize their bases.

VII. THE PLACE OF ETHICS IN BUSINESS FUNCTIONING

All of the elements of the challenges to be faced in a changing environment the field of ethics in recent years have become a major point of consideration in all circles of society, on a domestic level as well as globally. It has become increasingly clear that policies that do not take into account individual and social differences will not stand the test of time. Knowledge of the basics of a discipline alone will not keep the decision maker in any field of professional activity on an adequate level of performance. In business those who are knowledgeable in accounting, finance, or other disciplines but who do not recognize the broader social implications of their decisions are not likely to be effective. In politics a grasp of the elements of local and international law without recognition of the underlying

forces does not make for effective action. The recognition of the breadth of awareness of the many factors involved in even primary situations has led to a somewhat variation of structuring of the concepts of the field. Perhaps to emphasize the broader aspects of the functioning of ethical and closely related factors the somewhat newer approach is to identify such action under the rubric *Corporate Social Responsibility*.

The activity under this concept is not to be considered as limited to business corporations as it also can apply to other corporate bodies as worker's unions, on-profit organizations as well as to public entities though they may not be generally recognized as belonging to the same family. A further variation in the description of this area has come with development of the concept of *Sustainable Development (SD)*. Many business executives "demonstrate their commitment to acting in a socially responsible manner. For a growing number of companies the chosen vehicle to make their case is the corporate sustainability report, a document that outlines corporate initiatives in such areas as the environment and resource management, as well as philanthropy, workplace conditions, and concern for the communities in which the companies do business" (Osborne, 2002). As a result of that approach the reporting is often described as identifying the "*triple bottom line*" which covers action in environmental, economic, and social responsibility areas. The term *business ethics*, however, remains a common designation of the area as one subset of the general area of ethics.

Down through the years the concern with ethical behaviour often was not a topic of major interest, particularly in a business setting. At the national or local level governments are (or may not be) active in attempting to insure their constituents a stable and ethical society. One move has been to add legislation regarding those aspects of social behaviour which formerly may have been governed and accepted by society or its elements but without the rule of law. While the legal provisions established may have been accepted to one extent or another by ethical sentiment of all or parts of the community there has been some latitude in the past that called for legislation.

VIII. ETHICS IN ACTION

Ethical behaviour is determined by the values of the society and legal principles act to support activity along these lines. At the governmental level the major role of the executive, legislative and judicial entities is to insure the health and safety of its people and provide that all will be protected from the deleterious effects of bad or dangerous practices by any elements of the community. Legal enactments are often supplemented by codes of conduct. These are most often met in quasi-public institutions or groups, such as lawyers, accountants, doctors, pharmacists and other professional organizations, such as the chambers of commerce. Educational institutions generally also have codes of conduct for all members of that community and action in schools of business in particular has shown a great deal of activity along those lines. Courses covering the problems of ethical performance in public and private organizations have shown an increase in number and stature where a decade ago these studies were more limited.

IX. ETHICS SUPPORT IN EDUCATION

What is the role of educational and professional organizations in the development and maintenance of ethical practice? A response to this comes from the field as “Can business schools teach students to be virtuous? In the wake of all the corporate scandals they have no choice” (Alsop, 2003). The answer to this comes from particularly notable attempts to delineate standards of performance. The Association for the Advancement of Collegiate Schools of Business International (AACSB) has developed extensive Standards that call for proper implementation of the educational process. While these are established as requirements for accreditation they serve as guidelines for quality education in the field. Standard 15 states “Normally, the curriculum management process will result in undergraduate and master’s level general management degree programs that will include learning experiences in such management specific knowledge and skills areas as: Ethical and legal responsibilities in organizations and society” (AACSB International, 2003). Noteworthy is the fact that this area is listed as the first of eight categories of business disciplines. In other professional areas the codes of conduct promulgated by many groups are reinforced by the requirements for continuing education that includes a strong exposure to ethical problems faced in practice. Educational programs in other areas such as tourism should also include attention to ethics and legal aspects in travel abroad.

X. ETHICAL BRANDING AND CORPORATE REPUTATION

Corporate reputation can be defined in terms of a number of attributes that form a buyer’s perception as to whether a company is well known, good or bad, reliable, trustworthy, reputable and believable (Levitt, 1965). Corporate reputation is concerned with how people feel about a company based on whatever information (or misinformation) they have on, company activities, workplace, past performance and future prospects (Fombrun, 2000). According to Keller (1998), a socially responsible corporate image association involves the creation of consumer perceptions of a company as contributing to community programs, supporting artistic and social activities and generally attempting to improve the welfare of society as a whole.

XI. CONCLUSION

Business is a human activity and, like most human activities, it has been and is likely to continue to be evaluated from a moral point of view (Robin and Reidenbach, 1987). Branding, as part of business, is no exception. Business ethics in organizations requires values-based leadership from top management, purposeful actions that include planning and implementation of standards of appropriate conduct, as well as openness and continuous effort to improve the organization’s ethical performance.

Although personal values are important in ethical decision making, they are just one of the components that guide the decisions, actions, and policies of organizations. Examination of the recent development in the international trade and the far-reaching expansion of global entities lead the authors of this paper to the inevitable conclusion that ethical issues and concerns facing business entities are no longer related to the

limited frameworks of Journal of Academic and Business Ethics International Business Ethics, national or even regional arenas. These issues have assumed global dimensions and as such require global solutions.

Business activity and that of other organizations requires an awareness of the challenges faced on a global scale. In this connection ethics plays a significant role. However labelled, corporate social responsibility or sustainable development, the term business ethics remains the key designation for this area. While the study of ethics has a long history the main challenge under which ethics plays a role today is a need for awareness of the fundamental force of the culture in which the activity takes place. Not only is the action of organizations critical in facing the many of the problems, but individuals also playing a significant role. Government and educational institutions, too, have their place in leading the way for members of organizations active in a local and global environment.

The use of critical thinking is an important part of ethical decision making especially in ambiguous areas. While the development of personal character is important, it must be linked to competence in understanding risks and approaches to managing ethics and compliance in a complex organizational context.

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