

Applying Business Ethics



A guide to help you deal with the many ethical issues that can arise in the course of operating a business

Ethics are a set of moral standards that can be used in regards to responsible decision making. In this guide, you can find information about how ethics apply to business, how to develop an ethical culture in your business and some of the common ethical dilemmas that businesses encounter.

Applying Business Ethics

This guide looks at a set of moral standards that can be used in regards to responsible decision making and covers the following content:

1. What are Business Ethics?	3
2. Developing an Ethical Business Culture.....	4
3. Ethical Issues in Business	6



1. What are Business Ethics?

Ethics are a set of moral standards that are relied upon to reach conclusions and make decisions. In a business environment, ethics are a key factor in responsible decision making. Maintaining a high ethical standpoint when operating your business can provide benefits to both the internal and external stakeholders of your business.

Your personal set of ethics are developed as you grow up and are influenced by the people and environment around you. Some ethical viewpoints are considered universal and apply to people around the world, whereas others are of a personal nature and may only apply to you. Your ethical viewpoints continue to evolve and change over time as you interact with different people and are exposed to different situations and environments.

The business case for ethics is based on the positive benefits that it can provide your business. The reasons behind maintaining high ethical standards include:

- ✓ Improved employee and organisational morale
- ✓ Increased ability to attract new customers
- ✓ Improved customer loyalty
- ✓ Reduced risk of negative exposure and public backlash caused by poor ethics
- ✓ Attraction of new stakeholders
- ✓ Making a positive impact on the community ^[1]

Business ethics are important for managing a sustainable business mainly because of the serious consequences that can result from decisions made with a lack of regard to ethics. Even if you believe that good business ethics don't contribute to profit levels, you should be able to recognise that poor ethics can have a detrimental effect on your bottom line in the long term.

Poor ethical standards can result in business managers making misinformed, misguided or bad decisions. The future effects of their actions could be significant and wide reaching, particularly if they cause injury or financial loss to other people or businesses. Poor ethics are the basis of many legal cases where people seek compensation for the losses they have suffered as a direct or indirect result of the decisions of business people not following basic ethical standards.

In a sustainable business, employees at every level should be committed to the ethical standards of the business. As a business manager, it is important that you are able to clearly define and communicate to your employees what factors and ethical standards you expect them to adhere to and what the consequences are for failing to meet those expectations.

[1] List adapted from *Bringing Business Ethics to Life*, B. Anderson, 2004.

Lawry's, a Beverly Hills restaurant, has developed a simple [Code of Ethics](#) that guide their business performance

2. Developing an Ethical Business Culture

As a business manager, you should aim to develop a culture of good business ethics in your workplace. It should instil in your people a set of moral guidelines and expectations that they can follow when making business decisions and taking action. Developing an ethical approach to doing business in a competitive environment and implementing it into your organisation involves a number of key steps. Firstly, you need to determine the minimum level that your ethical business approach should aim to achieve. This is a key decision as it will form part of the basis on which your organisation will grow from now and into the future. Using this, you can build a set of ethical standards that you will follow when making business decisions. You also need to consider the impact your ethical standards will have on the long term sustainability of your business.



The next step in the process is to develop a set of key strategies that you can use to implement your ethical standards into your business operations. You need to clearly and effectively communicate your expectations to your employees and ensure that they understand their responsibility in regards to meeting those expectations. Developing an ethical code of conduct in the form of a document that can be distributed to your team can be an effective way to do this.

After implementing an ethical approach to business in your organisation, you need to develop a method of monitoring compliance with the standards. One strategy you can use is to encourage open communication and discussion about ethical dilemmas

Mortons, a US restaurant group, has developed a lengthy [Code of Ethics](#) to protect its reputation for honesty, integrity and trustworthiness

“Ethics is knowing the difference between what you have a right to do and what is right to do.”

Potter Stewart , Associate Justice of the United States Supreme Court

amongst your employees. You should also aim to build a culture where people feel comfortable in bringing forward issues regarding the ethical behaviour of other employees or even the business in general. As a manager, this can be valuable information that you can use to guide your employees and business in the right direction.

You should aim to change your employee's attitude from simply looking at making short term profits to working towards sustainable objectives. You need to make them aware of business sustainability issues and how their decisions and attitude in terms of ethical compliance can have an impact on the overall success of the business in the long term.

“
monitor how employees meet
”
their targets

There are a number of issues that can cause a breakdown in business ethics, and to operate sustainably, you need to ensure that these issues are not a problem in your business. Unfortunately, in many businesses, employees are under pressure to achieve unrealistic objectives. Employees begin to feel that the only way they can get ahead is by compromising on their ethical standards. Even more concerning is the fact that some employees are rewarded for objectives even if they disregarded basic ethics. You need to prevent this from becoming an issue by carefully monitoring how your employees meet their targets, with particular emphasis on their compliance with your ethical code of conduct.



Finally, the most important thing you can do as a business manager is to lead by example. Simply telling your employees to behave ethically and then not doing so yourself will have a significant effect on their commitment and ability to make ethical decisions. A manager that acts ethically and responsibly will positively influence the behaviour of the people around them and go a long way towards ensuring the sustainability of their business.

3. Ethical Issues in Business

There are many ethical issues that can arise in the course of operating a business. A comprehensive understanding of the different types of ethical issues will help you to identify and handle these situations responsibly to maintain your core business values.

Many ethical issues arise as a result of human resource management. There are clear ethical issues in relation to the hiring, management and dismissal of the people who work in your business. An ethical approach to the recruitment process requires you to be upfront with the people applying for a position in your business. Job advertisements should clearly state the nature of the position and any questions regarding salary, job tasks, hours, timeframes and expectations should be answered as honestly and as thoroughly as possible. This protects both you and the applicant from having unrealistic expectations about the nature of the job.



The people who work in your business also have certain rights that are closely tied to ethics. Although occupational health and safety conditions are mandated by law, a business should also be bound by its ethical values to ensure that workers are provided with safe conditions in the workplace. Employees should also feel obligated to bring forward any potential health and safety risks that they notice to ensure the wellbeing of people working in the organisation.

When it comes to the difficult issue of employee dismissal, you need to be aware of some important ethical considerations. Employees should not be dismissed, unless a valid reason that is related to their employment can be provided. You also need to think about whether dismissing an employee is actually the best option in the circumstances or could you consider other options such as further training, job sharing or temporary leave.

The Rezidor Hotel Group has developed a 10 point [Code of Ethics and Business Conduct](#) containing rules and guidelines for their business conduct and responsibilities

Conflicts of interest can become a serious issue in businesses of all sizes. A conflict of interest arises when an individual or organisation is involved in multiple interests, where one could potentially corrupt the actions in regards to the other. For example, a manager interviewing job applicants would face a conflict of interest if a family member applied for the job. Their obligations towards helping out a relative could compromise their responsibility as a manager to hire the best candidate for the position. This type of situation is also known as an ethical dilemma, which is a complex situation where your moral or ethical obligations to different parties contradict each other, making it difficult to come to a resolution.

The appropriate use of business resources and facilities can also pose a number of ethical problems. Some businesses offer privileges to their employees or associates as a gesture of goodwill, however, people should avoid exploiting the generosity of the business by using them inappropriately or unfairly. Employees should also avoid using their business connections to gain an inappropriate personal advantage.



A business should adhere to a strict set of ethical standards, when accounting and providing reports to stakeholders. All information that is provided should be done so on the basis that it is accurate, timely and comprehensive. Providing false or misleading information is not only unfair and irresponsible, it is also against the law.

There are also a number of ethical issues that can be raised in regards to certain industries, the products they sell and the way they market their products. A couple of common examples are the tobacco industry, which sells products to consumers that are proven to be detrimental to their health, and companies that sell unhealthy food, which have been accused of marketing directly to children. Ethical dilemmas arise because the products they sell are in fact not illegal, yet the negative impacts on society are considered significant.

As a business owner, you need to make your own decisions in regards to the ethical standards and moral values that you maintain in your business. By following a carefully and thoroughly thought out set of business principles, you give yourself the best opportunity for achieving sustainable business success.



This guide has been provided to you as part of Fáilte Ireland's suite of guides and templates in the Business Tools resource.

Please note that these resources are designed to provide guidance only. No responsibility for loss occasioned to any person acting, or refraining from action, as a result of the material in this publication can be accepted by Fáilte Ireland.

**© State of New South Wales through
NSW Trade & Investment**

The user shall not market, resell, distribute, retransmit, publish or otherwise commercially exploit in any form any of the content of this guide.

Fáilte Ireland
88-95 Amiens Street
Dublin 1

www.failteireland.ie

BT-ABE-C9-0913-4