

## What are business ethics and what is their importance?

Business ethics are a matter of much debate. Every MBA entrant is taught the meaning of them, and yet many will never follow these guidelines in their real life careers. It has become a vast and complex field, and is the subject of much research. Business ethics encompass a large and significant portion of what it takes to do business today. Under the umbrella of business ethics comes:

- The social responsibility that a business is supposed to have towards the community in general, particularly the one in which it operates or has any interests. An example of this would be the Exxon Mobil oil spill. It is the responsibility of a business to protect the interests of the people, animals and environment where it uses resources. Due to improper handling of the issue, it became a public relations nightmare for the company. Exxon has now been ordered to clean up the area which it should have taken care not to damage in the first place. Indifference to business ethics in this case, caused a negative public image for the company and a huge lawsuit.
- Issues regarding a company's responsibility towards its shareholders. This is a heavily regulated area but one that requires a lot of government intervention due to certain unethical practices adopted by many companies in the past. The concept of increasing shareholder value is part of the fundamental principles of a company and if business ethics are not brought into play here, the business can collapse due to the pressure exerted by shareholders.
- Inter-company dealings and negotiations. Often rivalries in business can turn ugly due to the amount of money and ego riding on them. Hostile takeovers and business espionage are some of the examples of unethical behavior within the business world. If discovered, these deeds can be punishable by law or simply public opinion. To allow for fair play and keeping the best interests of the consumers in mind, the government regulates a great deal of what goes on in company dealings. Microsoft has been the target of much abuse and outrage due to its allegedly monopolistic techniques of doing business. While this has not sunk the IT giant, many say that it may have long term repercussions. The government has also stepped in to make sure that other businesses and consumers are not harmed.
- Stakeholder protection. Every business has stakeholders other than its owners – the employees, the stockholders and the general public. The business has to ensure that the rights and interests of all of these groups are adequately protected in the course of its operations. The recent outcry about the harassment and bad working conditions of employees in Wal-Mart led to the generation of a lot of negative press about the outsized department store. This gives the competition the lead and rivals take the opportunity to get ahead while the company is busy trying to do some damage control.
- Fundamental business practices of a company. Underhanded dealings, the use of substandard products, spreading misinformation about the product, hiring illegal workers at lower than minimum wage, etc. prove that a business is run in an unethical way and that it is not a high quality work place or service provider. For instance, cigarette companies that spent most of the seventies telling people that it was not unhealthy to smoke, though they knew this to be untrue. In a recent judgment, one such company was forced to pay out \$28 billion.

## About the Author

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