

An Introduction to Business Ethics

Senida Buza
SIFE Alumni
Vodafone Albania

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1. What is business ethics?

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What are business ethics topics and issues?

- Whistle blowing / Speaking up
- Gifts, facilitation payments
- Supplier relations
- Environmental responsibility
- Security
- Data protection
- Governance
- Fair treatment of customers
- Advertising and sales practices
- Conflicts of interest
- Bribery, corruption
- Exec Pay
- Human rights
- Lobbying and political donations
- Work/home balance
- Supply chain policy
- Child, sweatshop labour
- Harassment, discrimination & bullying

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Issues covered by Business Ethics

- *Systemic issues*—questions raised about the economic, political, legal, or other social systems within which businesses operate. These include questions about the morality of capitalism or of the laws, regulations, industrial structures, and social practices within which businesses operate.
- *Corporate issues*—questions raised about a particular company. These include questions about the morality of the activities, policies, practices, or organizational structure of an individual company taken as a whole.
- *Individual issues*—questions about a particular individual within an organization and their behaviors and decisions. These include questions about the morality of the decisions, actions, or character of an individual.

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What is business ethics?

Business ethics is

... about **how** business is conducted

... about the application of **ethical values** to business behaviour

... over and above the **law**

Law is *mandatory* (you must abide)

Ethics is *discretionary* (you have a choice)

Note: Where the law is not enforced there is a choice between adhering to and ignoring the law!

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Business and values

The core values of a company include business values and ethical values – although the distinction might be blurred

| | |
|---------------------------------|--------------------------------|
| <i>Business Values include:</i> | <i>Ethical Values include:</i> |
| • ... | • ... |

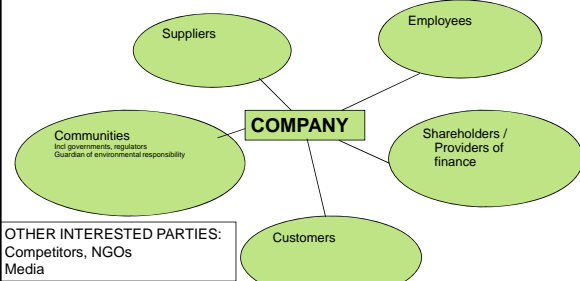
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The stakeholder model for identifying responsibilities and commitments



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Relationship to other concepts

Business Ethics needs to be distinguished from

... ethical business, e.g. fair trade, social enterprise, Co-operative Bank

HOW vs WHAT

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Relationship to other concepts

Business Ethics needs to be distinguished from

... Corporate Social Responsibility

| <i>Business Ethics / Corporate Responsibility</i> | <i>Corporate Social Responsibility</i> |
|---|--|
| "Doing things ethically" i.e. "The way we do business" | "Doing ethical things" e.g. voluntary community and social programmes |

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2. Why is the subject important?

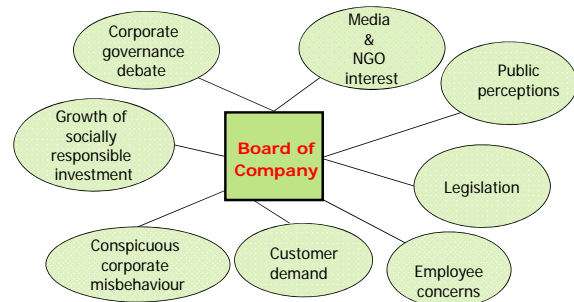
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External pressures on business



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Why is business ethics important for a company?

- Protects and improves sales, reputation and company image;
- Improves faithfulness and engagement of its employees;
- Prevents business loss;
- Empowers communication channels for interest groups.

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The business case

- Helps to retain 'licence to operate'
- Increases reputation
- Increases employee loyalty and commitment
- Decreases risk
- Some evidence for superior financial performance etc.

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3. What can companies do about it?

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A code of ethics

- A formal expression of your ethical commitments and responsibilities
- Tells the world what the organisation considers its obligations to be
- Tells staff what you expect of them
- Guides them in what to do when they face ethical dilemmas
- Helps ensure that employee behaviour is consistent within the organisation's values

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Developing and implementing an ethics policy

- Draft a code
 - Based on the company's values
 - Issues model vs stakeholder model
- Consult employees (and other stakeholders) when drafting the code
- Communication, awareness-raising and training
- Provision of channels for speaking-up
- Monitoring and review
- **Requires leadership and commitment at board or director level**

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Ethical Decision-Making

When does a business problem involve ethics?

- When it is not covered by the law
- It raises moral problems for a member of the team
- If it makes you reflect on what is a correct and incorrect response
- If you are forced to consider where your obligations and duties lie.

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Simple ethical tests for a business decision

- **Transparency:**
Do I mind others knowing what I have decided?
- **Effect:**
Who does my decision affect or hurt?
- **Fairness:**
Would my decision be considered fair by those affected?

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"When in Rome, do as the Romans do."

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Prisoners dilemma

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Questions?

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Conclusion

- Nor does it mean that ethical behavior is always rewarded or that unethical behavior is always punished. On the contrary, unethical behavior sometimes pays off, and the good guy sometimes loses. To say that ethical behavior is the best long-range business strategy means merely that, over the long run and for the most part, ethical behavior can give a company significant competitive advantages over companies that are not ethical.
- Ethical behavior is the best long-term business strategy for a company

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Reference

- Institute of Business Studies IBS
- Vodafone Albania Corporate Responsibility

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