

Introduction to Business Ethics

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Key concepts, foundations, and practical applications

1. What Is Business Ethics?

Aspect	Description
Definition	The study of moral principles and standards that guide behavior in the world of commerce.
Purpose	Align profit-driven activities with societal values, legal requirements, and stakeholder expectations.
Scope	Covers decisions, policies, and practices at all levels—from individual employees to multinational corporations.

2. Why Business Ethics Matters

- **Reputation & Trust** – Ethical conduct builds brand credibility and long-term customer loyalty.
 - **Legal Compliance** – Reduces risk of fines, lawsuits, and regulatory sanctions.
 - **Employee Engagement** – A fair, transparent workplace attracts talent and lowers turnover.
 - **Investor Confidence** – Ethical firms are viewed as lower-risk investments (e.g., ESG funds).
 - **Social Impact** – Companies influence communities, the environment, and the global economy.
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3. Core Ethical Principles in Business

Principle	Typical Application
Integrity	Honesty in advertising, accurate financial reporting.
Fairness	Equitable treatment of employees, suppliers, and customers.
Responsibility	Accountability for product safety, environmental impact.
Transparency	Open communication about policies, risks, and performance.

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Principle	Typical Application
Respect	Protecting human rights, fostering inclusive workplaces.

4. Stakeholder Theory

Stakeholder	Primary Concern	Ethical Expectation
Customers	Product quality, safety, privacy	Truthful marketing, data protection
Employees	Compensation, safety, development	Fair wages, safe conditions, non? discrimination
Suppliers	Fair contracts, timely payment	Honest negotiations, no exploitation
Shareholders	Return on investment	Accurate reporting, prudent risk management
Community & Society	Environmental stewardship, social welfare	Sustainable practices, philanthropy
Regulators	Compliance with laws	Full cooperation, proactive reporting

5. Common Ethical Issues & Examples

Issue	Example	Typical Ethical Dilemma
Conflict of Interest	An employee owns stock in a supplier.	Balancing personal gain vs. company interest.
Bribery & Corruption	Paying “facilitation fees” to obtain permits.	Short?term advantage vs. legal/ reputational harm.
Insider Trading	Using non?public information to trade shares.	Personal profit vs. market fairness.
Product Safety	Recalling defective airbags.	Cost of recall vs. consumer risk.
Environmental Impact	Discharging waste into a river.	Profit margins vs. ecological damage.
Privacy & Data Security	Selling customer data without consent.	Revenue from data vs. individual rights.

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6. Ethical Decision-Making Framework

1. **Identify the Problem** – Clarify facts, stakeholders, and the core issue.
2. **Gather Information** – Review laws, company policies, and relevant data.
3. **Evaluate Alternatives** – Apply ethical principles (e.g., utilitarianism, rights-based, virtue ethics).
4. **Make a Decision** – Choose the option that best aligns with ethical standards and business goals.
5. **Implement & Communicate** – Execute the decision transparently; inform affected parties.
6. **Review Outcome** – Assess results, learn lessons, and