

Overview of Business Ethics

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Key concepts, principles, and practical applications for managers and professionals

1. What Is Business Ethics?

Aspect	Description
Definition	The study of moral principles and values that guide behavior in the world of commerce.
Goal	Align business actions with societal expectations, legal standards, and the organization's own values.
Scope	Covers relationships with: • Employees (fair labor, safety) • Customers (product safety, truthful advertising) • Suppliers (fair contracts, anti-corruption) • Communities (environment, philanthropy) • Shareholders (transparent reporting, responsible risk-taking)
Why It Matters	• Builds trust and reputation • Reduces legal and financial risk • Attracts talent and investors • Enhances long-term profitability

2. Core Ethical Principles

Principle	Typical Business Application
Integrity	Honesty in communication, honoring commitments, avoiding deception.
Fairness	Equal treatment, nondiscrimination, equitable compensation.
Responsibility	Accountability for decisions, taking corrective action when harms occur.
Respect for Stakeholders	Listening to and considering the interests of all parties affected.
Transparency	Open disclosure of material information, clear reporting of financials and policies.

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Principle

Typical Business Application

Sustainability

Managing resources to meet present needs without compromising future generations.

3. Ethical Decision-Making Frameworks

1. **Utilitarian Approach** – Choose the action that produces the greatest net benefit for the most people.
2. **Rights-Based Approach** – Respect fundamental rights (e.g., privacy, freedom from exploitation).
3. **Justice/Equity Approach** – Ensure fair distribution of benefits and burdens.
4. **Virtue Ethics** – Act in a way that reflects good character traits (honesty, courage, temperance).

Step-by-Step Model (Common in corporate training)

Step	Question to Ask
1?? Identify the problem	What is the ethical issue?
2?? Gather facts	Who is affected? What are the relevant laws, policies, and stakeholder expectations?
3?? Identify options	What are the possible courses of action?
4?? Evaluate using principles	How does each option stack up against the core principles and decision-making frameworks?
5?? Make a decision	Choose the most ethically defensible option.
6?? Implement & monitor	Execute the decision, document the process, and review outcomes.
7?? Reflect	What did we learn? How can we improve future decisions?

4. Major Areas of Business Ethics

Area	Typical Issues	Example Policies
Corporate Governance	Board independence, executive compensation, shareholder rights	Code of Conduct for directors, compensation guideline matrix

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Employment & Labor	Discrimination, harassment, wage fairness, health & safety	Anti-harassment training, equal opportunity hiring, OSHA compliance
Product & Service Responsibility	Safety, labeling, false advertising, data privacy	Quality control standards, privacy impact assessments, recall procedures
Environmental Stewardship	Pollution, waste, carbon footprint, resource depletion	ISO 14001 environmental management system, sustainability reporting
Anti-Corruption & Fair Competition	Bribery, kickbacks, price fixing, insider trading	Anti-bribery policy, whistle