

## What Is Business Ethics?

Written by Administrator

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Several accounting and management--or broadly put ethics--scandals with some big companies (i.e. Enron, WorldCom, and Arthur Andersen) in recent years troubled the corporate world. These were not small issues, and resulting from these scandals companies were destroyed and top executives were jailed. As it is in every aspects of life, being ethical while conducting business may prevent these kind problems. Than, how can someone be ethical in business or what is business ethics?

Ferrell et al offers this definition: "Business ethics comprises the principles and standards that guide behavior in the world of business. Investors, employees, customers, interest groups, the legal system, and the community often determine whether a specific action is right or wrong, ethical or unethical. Although these groups are not necessarily 'right,' their judgments influence society's acceptance or rejection of a business and its activities." (Ferrell et al 2008, 6) Even though Ferrell et al put a really broad definition, they still feel the need to express that it may be perceived differently by different entities.

Making ethical decisions, while conducting business, requires not only a good understanding of the business' nature, but also understanding of ethical activity (Sternberg 2000, 62).

There is not a special ethics for business; rather there is application of ethical reasoning in different business cases. Sternberg emphasizes this in her book, Just Business: "Business ethics applies ethical reasoning to specifically business situations and activities: it is an attempt to resolve or at least to clarify those moral issues that typically arise in business. Starting from an analysis of the nature and presuppositions of business, business ethics applies general moral principles in an attempt to identify what is right in business ... everywhere and always." (2000, 76)

Since business ethics based on people's ethical reasoning and this may change from person to *person*

because of their understanding of some key terms, it would be helpful to try to agree on the meanings of some key terms. Lisa Newton defines some of these key terms on her book, Business Ethics and the Natural Environment (2005, 12-13):

*"Morals or Morality:* Rules and prima facie duties that govern our behavior as persons to

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persons.

Examples: Do not hurt people (gentleness, compassion); do not tell lies (veracity, fidelity); do not take more than your fare share (fairness).

*Values*: States of affairs that are desired by and for people and that we want to increase; ends, goals.

Examples: Health (as opposed to sickness); wealth (as opposed to poverty); happiness in general; freedom, justice, respect for human rights.

*Virtues*: Conditions of people that are desirable both for the people themselves and for the good functioning of the society.

Examples: Wisdom (vs ignorance, irrationality); courage (vs weakness, unreliability); self-control (vs greed, violence, indulgence); justice (vs egoism, favoritism, deviousness)

*Ethics*: Properly speaking, the study of morals, duties, values, and virtues, to find: their theoretical links and relationships; and how they work together (or do not) in practice.

*Ethical principles*: Very general conceptual schemes that sum up a range of morals, values, and virtues, from which moral imperatives can be derived."

...will continue...

References

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