

# Impact of Ethical Behaviour on Business

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**Abstract – Ethics in business works as root for the success of business. Today, all stakeholders are aware about their rights and business cannot grow by abolishing the interest of stakeholders. Various measures like consumer protection act and trade unions etc. prevent the interest of stakeholders from the malfunctioning of business like unfair trade practices, unequal pay, misleading advertising etc. This paper is discussing about the impact of ethical behaviour on business. Ethical behaviour creates a positive effect on business to create customer loyalty, employee retention, higher productivity etc.**

**Keywords: - Business Ethics, Impact, Principles, Behaviour.**

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## INTRODUCTION

Ethics means the study of right and wrong. Ethics refers to a set of principles of right conduct. Business Ethics are principles that guides the way a business behaves. These guidelines help the business to work according to the laws and regulation.

ETHICS stands for:-

E- effect- decision of a business should not harm the interested parties

T- transparency- information of a business should be disclosed

H- harmony- decisions of a business should be according to regulations

I-Interests-decision of business should be in long term interest of business

C- consumers- decisions should be fair for consumers

S- Sovereignty- Sovereignty of customers should be respected

## OBJECTIVES OF THE STUDY-

1. To study the impact of ethical behaviour on business
2. To study the measures to control unethical behaviour
3. To study the ethical values in business

**Research Methodology** - For this study, secondary data is collected from different Journals, Articles, book and Websites

## PRINCIPLES OF ETHICS IN BUSINESS

**Honesty:** - business executives should be honest and trustworthy for all parties in performing business activities and they do not mislead others by miscommunication

**Responsibilities:** - business executives should be responsible for decision taken by them. Ethical business executives accept personal accountability for equal treatment to employees, customers.

**Fairness:** - business executives should equally treat with all people associated with business

**Respect:** - business executives should respect for human dignity, interest of all stakeholders and treat all people with equal respect regardless of sex, religion.

**Transparency:** - ethical business executives create a spirit of openness in the practice of business activities through communication and full disclosure

**Citizenship:** - business executives should Fulfill all legal, economic and social responsibilities towards the interested parties of business.

**Willing to change:** - business executives should be willing to adopt changes according to change in business environment. They should ensure that consumer needs are not static and product should be improved according to requirement.

**Feedback:** - immediate feedback should be provided to customers about their complaints and it will create a positive impact in the minds of customers.

#### **Factor influencing business ethics:-**

**Political parties:** - governing political parties influence the ethics of business through legislative measures. Ex: - safety in factories and mines, anti-pollution measures

**Social values:** - norms, values, traditions and customs influence the business. It compels the businessmen to follow ethical norms.

**Cultural values:** - cultural values have long term impact on ethics. These values prescribe what is right or wrong for an individual or an organisation

**Personal values:** - personal values of employees have impact on business.

Ex: - if an employee steals money from business, it will have negative impact on business.

**Industry codes:** - the association of industrial and trading houses such as trade associations, chamber of commerce and industry provide code of conduct for business.

**Professional codes:** - professional codes are provided by the association of professionals such as ICAI, bar council of India, medical council of India

#### **Ethical Business Practices**

**Investors-** business should provide safety of money invested by investors and payment of interest on time

**Employees-** business should pay fair remunerations to employees, career opportunities to employees, health work environment and proper training

**Customer-** business should provide complete information about the product, fair price, solution of complaints, privacy in case of personal information of customers

**Competition-** business should create healthy competitions, do not spread wrong information about other businesses

**Government-** business should follow rules and regulations of government. Business executives should pay duties, tax payment on time.

**Environment-** business should follow the rules to protect the environment from pollution

## **IMPACT OF ETHICAL BEHAVIOUR ON BUSINESS:-**

**Customer loyalty:** - loyalty means to purchase the products of a company again and again. If customers feel that they are treated fairly and not overcharged, they will be loyal to the company.

**Build company reputation:** - ethical behaviour of a company helps to build company reputation. Word of mouth publishing by old customers helps the company to attract new customers.

**Retain good employees:** - if healthy work environment, fair wages, career opportunity are provided by company to its employees, then they always want to be work for the company.

**Avoid legal problems:** - if a company wants to earn profit in an illegal way e.g. abolition of regulations, using bad quality raw material then penalties in form of fees and fines can be imposed on business.

**Attract investors:** - if a business follow ethics in its functions and create an investors friendly environment then investors like to invest money where they feel it is safe.

**Minimize cost:** - ethical behaviour reduces cost in form of credit facility from suppliers, employee retention, higher productivity and customer loyalty.

**Enhance productivity:** - If employee feels fairly treated, they work harder and it helps to increase productivity of business.

**Healthy competition:** - If a company follow ethics, then company will and spread wrong information about other companies. Company's it will create a healthy competition in market.

**Long term gains:** - company that follows ethics believes in earning of small but long term gains rather than huge profits in a short time..

#### **Unethical Business Practices**

1. Dumping waste material into the water the harms the environment of country
2. No paying equal pay for equal work to all employees
3. Price fixing to force smaller competitors out of business
4. False advertisement and wrong information about product
5. Wasteful and unnecessary packaging

6. Price wars means lowering the price in an attempt to demoralize competitors
7. Unhealthy working environment that harms the health of workers

### CONSEQUENCES OF UNETHICAL BEHAVIOUR

1. Unethical behaviour increased the risk of doing business and negatively affects the company image.
2. Unethical behaviour reduces the productivity of business.
3. Increase the employee turnover rate and decrease their performance level.
4. Create a challenging environment to work for employees and in result, employee switches to other companies.
5. Unethical behaviour such as underweight product, wrong information about product creates a negative impact in the minds of customers.
6. Unethical business activities make the business unable to maintain long term relationship with customers
7. Unethical business activities enforces the government to interfere in business activities and penalties, fines, presentment are imposed on business

### MEASURES TO CONTROL UNETHICAL BEHAVIOURS:-

**Legislative measures:-**By legislative measures a business is enforced to follow ethics. Main purpose by enforcing the acts is to protect the interest of different stakeholders like employees, customers.

E.g. Company Act, Consumer protection act, M.R.T.P. Act, Environment pollution act.

**Trade Union:** - Trade union work for the welfare of employees, trade union works as a watchdog to check the business decision / activities for its employees e.g. working environment, wages

**Business association:** - Business association provides guidelines to business regarding ethics. A business may be separated from association if business does not follow the ethics.

**Consumer Movement:** - Consumer movements work to protect the interest of consumers.

Ex: If a product is not according to the standards, consumer movement claims for damages.

**Company status:** - Company goodwill or reputation enforces business to follow the ethics. If a company fails to follow ethics it create a negative impact on the image of company.

### CONCLUSION:

Performing an ethical behaviour business is very essential for the success of business. Good business ethical behaviour creates customer loyalty and attracts new customers to deal with business. Good ethics makes relations better and stronger. Ethical behaviour helps business to maintain good retains with employees, maintain overall it increases the employee's moral and they work hard on job and it increased the productivity of business. In conclusion, good ethical behaviour is a key to success for business.

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