**Business Ethics**

**Introduction**

Businesses have power through their ability to spend vast amounts of money. They have the ability to enhance or change situations that the common individual does not. As organisations affect many people, they have obligations to their employees, consumers, community and the world. They have a responsibility to conduct business in a way that is not harmful and which positively benefits as many people as possible and themselves. Although this sounds simple, it is easier said than done! as there will always be a conflict of interest between various groups of people. Any decisions made by businesses need to be made with an informed awareness of the specific situation and then act according to some sort of system of principals which is Business Ethics.

**What is Business Ethics?**

Business ethics is exactly the same as normal ethics, and that is knowing what is right or wrong, and learning what is right and what is wrong in a business environment. Then doing the right thing, but the right thing is not as straightforward as explained in many business ethics books. Most ethical dilemmas in the workplace are not simply a matter of Should she steal from him? or Should he lie to his boss? Businesses cannot function without ethics, why? Society dictates a set of rules and conformities and seeing as all businesses strive after common goals it means that these goals can only be achieved on the basis of standards, values and morals in society. It can be assumed that business life has to be called 'moral' as well. As in society, standards and values are spontaneously formed once people come together and start 'behaving', likewise, business life becomes exactly the same and that's when morals come into effect, and when businesses decide on implicit or explicit ways to achieve certain goals and then are agreed on. Businesses in general are working on the basis of an ethics that settles different interests. The standards and values within companies can be characterised as mutual respect. In this respect it is in everyone's interest, and is considering people as an end in themselves, not as a means, reciprocity and fairness. This ethics is passed down and filtered to a group of stakeholders who have an interest in the company. These parties usually are: personnel, customers, suppliers, subcontractors, shareholders, society and those who speak on behalf of the environment and future generations Many ethicists say there's always a right thing to do based on moral principle, and others believe the right thing to do depends on the situation, ultimately it's up to the individual on what they do and on what they believe to be the right thing is. Sometimes the right thing is not necessarily the best thing to do. Many philosophers consider ethics to be the science of conduct. Twin Cities consultants Doug Wallace and John Pekel (of the Twin Cities-based Fulcrum Group) explain that ethics includes the fundamental ground rules by which we live our lives. Many professionals in ethics say that new ethical beliefs are state of the art legal matters, and that what becomes an ethical issue of today is then later made into a law. Values that say how we should behave are said to be moral values, values such as respect, honesty, fairness, responsibility, etc. Statements about how these values should be implemented are sometimes called moral or ethical principles. The concept of business ethics has been seen to mean various things to different people, but usually it's knowing what is right or wrong in the workplace and doing what's right in regard to effects of products, services and relationships with stakeholders. Wallace and Pekel say that attention to business ethics is critical during times of fundamental change, times much like those faced now by businesses, both non-profit and for-profit. In times of fundamental change, values that were previously taken for granted are now strongly questioned. Many of these values are no longer followed.

Therefore, there are no clear morals to guide today's leaders through difficult problems about what is right or wrong, just vague perceptions of what should and has already been done. A focal point on ethics in the workplace shows and alerts leaders and staff on how they should act. An attention to ethics in the workplaces helps ensure that when leaders and managers are struggling in times of crises and confusion, they retain a strong moral focus. However, attention to business ethics provides numerous other benefits, as well. Note that many people believe that business ethics, with its continuing focus on doing the right thing, only asserts the obvious be good, don't lie,, and so these people don't take business ethics seriously. For many people, these principles can go right out the door during times of stress. Business ethics can be a strong preventative medicine.

**10 Benefits of Business Ethics**

These benefits were attained from http//: www.businessethics.com/index/benefits.htm Many people are used to reading or hearing of the moral benefits of attention to business ethics. However, there are other types of benefits, as well. The following list describes various types of benefits from managing ethics in the workplace.

Attention to business ethics has substantially improved society. A matter of decades ago, children in our country worked 16-hour days. Workers' limbs were torn off and disabled workers were condemned to poverty and often to starvation. Trusts controlled some markets to the extent that prices were fixed and small businesses choked out. Price fixing crippled normal market forces. Employees were terminated based on personalities. Influence was applied through intimidation and harassment. Then society reacted and demanded that businesses place high value on fairness and equal rights. Anti-trust laws were instituted. Government agencies were established. Unions were organised. Laws and regulations were established.

Ethics programs help maintain a moral course in turbulent times. As noted earlier in this document, Wallace and Pekel explain that attention to business ethics is critical during times of fundamental change -- times much like those faced now by businesses, both non-profit and for-profit. During times of change, there is often no clear moral compass to guide leaders through complex conflicts about what is right or wrong. Continuing attention to ethics in the workplace sensitises leaders and staff to how they want to act.

Ethics programs cultivate strong teamwork and productivity. Ethics programs align employee behaviours with those top priority ethical values preferred by leaders of the organisation. Usually, an organisation finds surprising disparity between its preferred values and the values actually reflected by behaviours in the workplace. Ongoing attention and dialogue regarding values in the workplace builds openness, integrity and community -- critical ingredients of strong teams in the workplace. Employees feel strong alignment between their values and those of the organisation. They react with strong motivation and performance.

Ethics programs support employee growth and meaning. Attention to ethics in the workplace helps employees face reality, both good and bad, in the organisation and themselves. Employees feel full confidence they can admit and deal with whatever comes their way. Bennett, in his article Unethical Behaviour, Stress Appear Linked (Wall Street Journal, April 11, 1991, p. B1), explained that a consulting company tested a range of executives and managers. Their most striking finding: the more emotionally healthy executives, as measured on a battery of tests, the more likely they were to score high on ethics tests.

Ethics programs are an insurance policy -- they help ensure that policies are legal. There are an increasing number of lawsuits in regard to personnel matters and to effects of an organisation's services or products on stakeholders. As mentioned earlier in this document, ethical principles are often state-of-the-art legal matters. These principles are often applied to current, major ethical issues to become legislation. Attention to ethics ensures highly ethical policies and procedures in the workplace. It's far better to incur the cost of mechanisms to ensure ethical practices now than to incur costs of litigation later. A major intent of well-designed personnel policies is to ensure ethical treatment of employees, e.g., in matters of hiring, evaluating, disciplining, firing, etc. Drake and Drake (California Management Review, V16, pp. 107-123) note that an employer can be subject to suit for breach of contract for failure to comply with any promise it made, so the gap between stated corporate culture and actual practice has significant legal, as well as ethical implications.

Ethics programs help avoid criminal acts of omission and can lower fines. Ethics programs tend to detect ethical issues and violations early on so they can be reported or addressed. In some cases, when an organisation is aware of an actual or potential violation and does not report it to the appropriate authorities, this can be considered a criminal act, e.g., in business dealings with certain government agencies, such as the defence Department. The recent Federal Sentencing Guidelines specify major penalties for various types of major ethics violations. However, the guidelines potentially lower fines if an organisation has clearly made an effort to operate ethically.

Ethics programs help manage values associated with quality management, strategic planning and diversity management -- this benefit needs far more attention. Ethics programs identify preferred values and ensuring organisational behaviours are aligned with those values. This effort includes recording the values, developing policies and procedures to align behaviours with preferred values, and then training all personnel about the policies and procedures. This overall effort is very useful for several other programs in the workplace that require behaviours to be aligned with values, including quality management, strategic planning and diversity management. Total Quality Management includes high priority on certain operating values, e.g., trust among stakeholders, performance, reliability, measurement, and feedback. Eastman and Polaroid use ethics tools in their quality programs to ensure integrity in their relationships with stakeholders. Ethics management techniques are highly useful for managing strategic values, e.g., expand marketshare, reduce costs, etc. McDonnell Douglas integrates their ethics programs into their strategic planning process. Ethics management programs are also useful in managing diversity. Diversity is much more than the colour of people's skin -- it's acknowledging different values and perspectives. Diversity programs require recognising and applying diverse values and perspectives -- these activities are the basis of a sound ethics management program.

Ethics programs promote a strong public image. Attention to ethics is also strong public relations -- admittedly, managing ethics should not be done primarily for reasons of public relations. But, frankly, the fact that an organisation regularly gives attention to its ethics can portray a strong positive to the public. People see those organisations as valuing people more than profit, as striving to operate with the utmost of integrity and honour. Aligning behaviour with values is critical to effective marketing and public relations programs. Consider how Johnson and Johnson handled the Tylenol crisis versus how Exxon handled the oil spill in Alaska. Bob Dunn, President and CEO of San Francisco-based Business for Social Responsibility puts it best: Ethical values, consistently applied, are the cornerstones in building a commercially successful and socially responsible business.

Overall benefits of ethics programs: Donaldson and Davis, in Business Ethics? Yes, But what can it Do for the Bottom Line? (Management Decision, V28, N6, 1990) explain that managing ethical values in the workplace legitimizes managerial actions, strengthens the coherence and balance of the organisation's culture, improves trust in relationships between individuals and groups, supports greater consistency in standards and qualities of products, and cultivates greater sensitivity to the impact of the enterprise's values and messages.

Last and most formal attention to ethics in the workplace is the right thing to do.

Case Study on Nestle

All information for this was ascertained at the nestle web site http//www.nestle.com.

Nestle's view on Business Ethics

Nestle's view on business ethics is one of great importance. As you can see from their web site www.nestle.com this is one of their major focal points. Nestle, like many other businesses have created what they believe to be a comprehensive ethical policy or codes of ethics, in plain they are lists of what they believe is ethical behaviour and how they should behave. However, the existence of a code of ethics may not guarantee that the company will conduct itself ethically. Ethics codes are often drawn up in response to scandals and to protect the name of the company, and then this only state its legal responsibilities and the conduct it expects from its employees, rather than listing any ethical principals and aspirations that it holds. The emphasis has often been on the company setting standards for the employees to meet, so it will not be caught breaking the law, rather than realising that the company itself needs to be guided in its business conduct. Nestle have got an ethics policy from legislation to child labour, they have covered every single topic they believe comes under the word of ethics. Nestle believe that every single area of their business needs to have an ethics policy in which they should be able to follow, as they are a global company and their arms stretch to many different area's. Nestlé Global Commitment and Responsibilities Since Henri Nestlé develoed the first milk food for infants in 1867, the Nestlé company has gained vast experience through its scientific research into the nutritional needs and food preferences of consumers of all ages. No other food company invests so much in fundamental and applied research. The company has been a leading food manufacturer and major purchaser of agricultural raw materials for over 130 years. Food and agriculture are an integral part of the social, cultural, economic and political context of every community. Since Nestlé activities in Switzerland, its country of origin, account for less than 2% of its global turnover, Nestlé learned very early to respect the social, political and cultural traditions of all countries in which the products are produced and sold. They also learned to be a highly decentralized people and products oriented company rather than a systems centred organisation. Today, Nestlé is the world's largest and most diversified food company, with nearly 500 factories around the globe, producing healthy, enjoyable food products for every stage of life. Quality is the cornerstone of the success of the Nestlé Company. Everyday, millions of people all over the world show their trust in the company by choosing Nestlé products. This trust comes from a quality image that has been built up for over a century. Nestlé carries out its global social responsibility, firstly, by taking a long term approach to strategic decision making which recognizes the interests of our consumers, shareholders, business partners, and the world-wide economies in which we operate. Secondly, our responsibilities and values are reflected by the commitment of management and employees at all levels, to our Corporate Business Principles, which define standards of behavior for all companies in the Nestlé Group, and are intended to complement applicable legislation and international recommendations. P. Brabeck-Letmathe Chief Executive Officer Nestlé S.A. Nestlé Corporate Business Principles From www.nestle.com Nestlé is committed to the following business principles in all countries. Taking into account local legislation, cultural and religious practice: Nestlé's business objective and that of management and employees at all levels, is to manufacture and market the company's products in such a way as to create value that can be sustained over the long term for consumers, shareholders, employees, business partners and the large number of national economies in which Nestlé operates. Nestlé does not favour short-term profit and at the expense of successful long term business development, but recognizes the need to generate profit each year in order to maintain the support of the financial markets, and to finance investments. Nestlé believes that, as a general rule, legislation is the most effective safeguard of ethical conduct, although in certain areas, additional guidance to management and employees in the form of voluntary business principles is beneficial in order to ensure that the highest standards are met throughout the organisation. Nestlé is conscious of the fact that the success of a corporation is a reflection of the professionalism, conduct and ethical values of its management and employees, therefore recruitment of the right people, and ongoing training and development are crucial. Nestlé recognizes that consumers have a legitimate interest in the company behind the Nestlé brands, and the way in which the Nestlé Company operates.

**The Impact of Business Ethics on Nestle**

As you can see nestles whole foundation is based around ethics. As Nestle is a global company they have to take in many factors when considering their ethical policy, and the fact that they are a global organization, makes that process one step harder. Being a global company Nestle is affected by different laws around the globe. Nestles reputation is paramount to them so by having a strict code of ethics is to their advantage as consumer awareness is growing with each and every day. More and more people are becoming concerned and disturbed by moral issues surrounding companies, if a company does a certain action that consumers dislike, it can have drastic effects to revenues. Nestle have had first hand experience of the power of consumers, as not so long ago was involved in allegations that it was supplying unsafe addictive baby milk supplements to mothers in the 3rd world. This brought on an outrageous response from consumers all around the world, as this was seen to be immoral and totally unacceptable by such a large well-known and respected organisation as Nestle. As these allegations spread, it was devastating to Nestle as many retail outlets began to boycott Nestle by removing all Nestle products from the shelves. This boycott was done for several reasons by different outlets, the reason for this was because of consumers. If other companies were seen to be siding with Nestle, then that could conflict with their own ethical policies and consumers could be deterred by that fact. With the introduction and implementation of a strict and concise ethical policy, Nestle has seemed to redeem themselves by ensuring a good upstream communication. Nestle have also reached back into the good books by promoting their codes of ethics by various media's and making them readily available to the public. A list of Nestle ethics can be found on their web site, this list has covered everything from environmental issues to child labour, by doing this they have appealed to the moral issues facing everyday people and the emotions of its consumers. As Nestles ethics are so detailed and cover almost every aspect of moral dilemmas in various societies, Nestle now have the responsibility to live up to their word, and make sure that this policy does exactly what it says. The impact that this will have on them will be great, as it will be a fairly costly process to monitor all of these conditions globally. This would also have a positive effect in the respects of its consumers, as in this age the consumer market is more competitive than it ever was, and Nestle need to be seen as a consumer friendly organisation, sympathetic, moral and ethical. Consumers would see this as Nestle doing something beneficial and good for people.

**Implications of Business Ethics on Stakeholders**

The implications on stakeholders of Nestle is plain and simple, whatever Nestle do, so do they. What is meant by this is as follows; any actions that are taken upon Nestle than the stakeholders are doing these actions also, it can also be called, guilt by association. Any stakeholders also must abide by the ethics policies set out by Nestle, as guilt by association also functions the opposite way. Any actions deemed unethical or any unethical behavior by either party can result in harm for the other, a classic lose-lose situation, therefore upstream communication is essential for these ethics policies to be adhered to. The impact on all stakeholders can be a great strain, as Nestle have a very thorough and comprehensive ethics policy, to conform to this could take a great deal of time,

**Conclusion**

What is Business Ethics? Plain and simple, ethics is the choice between right and wrong.

The concept has come to mean various things to various people, but generally it's coming to know what it right or wrong in the workplace and doing what's right -- this is in regard to effects of products/services and in relationships with stakeholders. Wallace and Pekel explain that attention to business ethics is critical during times of fundamental change -- times much like those faced now by businesses, both nonprofit or for-profit. In times of fundamental change, values that were previously taken for granted are now strongly questioned. Many of these values are no longer followed. Consequently, there is no clear moral compass to guide leaders through complex dilemmas about what is right or wrong. Attention to ethics in the workplace sensitizes leaders and staff to how they should act. Perhaps most important, attention to ethics in the workplaces helps ensure that when leaders and managers are struggling in times of crises and confusion, they retain a strong moral compass. However, attention to business ethics provides numerous other benefits, as well.

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