

Mohammed Khider University of Biskra
Faculty of Economics, Business and Management Sciences
Department of Economics



Module: Introduction to Business Management

Level: Second year LMD

Professor: Dr. Abdelmounaam BENFERHAT

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Lecture 08 : Recent Trends of Management
(Business Ethics and Management)

Objectives :

- 1- Understand the Core Principles of Business Ethics
- 2- Identify the Impact of Ethical and Unethical Business Practices
- 3- Explore the Importance of Setting Ethical Objectives in Organizations
- 4- Recognize the Role of Ethical Codes in Professional Conduct
- 5- Examine the Benefits and Challenges of Implementing Ethical Objectives

Structure :

- 1- Introduction
- 2- Definition of Ethics, Business ethics
- 3- Why organizations set ethical objectives
- 4- The impact of implementing ethical objectives
- 5- Ethical Codes
- 6- Conclusion
- 7- Glossary

1- Introduction :

Business Ethics relate to behaviour of a businessman in a business situation. These are concerned primarily with the impacts of decisions on people, within and without the organisations, individually and collectively in communities or other groups. They are concerned with actions measured by ethical rules, as contrasted with strict economic (or) financial rules.

Business ethical behaviour is conduct that is fair and just over and above the various rules and regulations. It is always ethical for a businessman to obey the laws even though he may personally believe them to be unjust or immoral. If he feels that laws are unjust he can seek remedy through proper procedure and not through disobedience of those.

2- Definition of Ethics, Business ethics :

Ethics The discipline dealing with what is good and bad and with moral duty and obligation.

In *Webster's Ninth New Collegiate Dictionary*, **ethics** is defined as “the discipline dealing with what is good and bad and with moral duty and obligation.”

It is the principles, values, and beliefs that define right and wrong decisions and behavior.

It refers to a code or moral system that provides criteria for evaluating right and wrong.

It refers to a system of moral principles – a sense of right and wrong, and goodness and badness of actions and the motives and consequences of these actions.

Business ethics is concerned with truth and justice in the context of commercial enterprise. It is the story of good and evil in business.

It is concerned with a systematic study of morals. It strives to provide methods to distinguish between actions and attitudes that are detrimental for business and those that are ethically sound and inspire businesses.

3- Why organizations set ethical objectives :

Ever more commonly today, businesses are establishing for themselves ethical objectives. Objectives such as these are goals based on established codes of behaviour that, when met, allow the business to provide some social or environmental benefit or, at the least, not to hurt society or the environment in the process of making a profit. For example, a business might aim to expect all its employees to be treated without discrimination, harassment, or even favouritism. Another ethical objective might be always to treat customers with respect and honesty.

Ethical objectives can cover a whole range of activities and today many businesses are setting them.

Businesses may set themselves ethical objectives for some very good commercial reasons, including these:

- a) **Building up customer loyalty** – repeat customers are vital to most businesses. Customers are more likely to return to a business they trust and respect, and ethical objectives and ethical action foster this.
- b) **Creating a positive image** : both existing and potential customers are likely to shop at businesses with good reputations. The opposite is certainly true: customers will avoid businesses with reputations for untrustworthiness.
- c) **Developing a positive work environment** : businesses that have well-motivated staff who enjoy working for the business have a competitive advantage. Businesses with strong ethical objectives can be attractive to many potential employees and serve to improve morale and motivation.
- d) **Reducing the risk of legal redress** : being unethical can cost a company money, not only from dissatisfied customers not returning or from the bad word-of-mouth reports generated by unethical behaviour. Sometimes unethical behaviour can lead to legal redress by the government, by other businesses or by the customers themselves. Even if a business “wins” in court, the process can be expensive and cause significant damage to the firm’s reputation.
- e) **Satisfying customers’ ever-higher expectations for ethical behaviour** : with improved ICT and the worldwide web, business decisions and actions are more visible than ever before. Today, consumers are aware of what is considered ethical and unethical behaviour and often “punish” unethical behaviours by not patronizing certain businesses. Few businesses can disregard public opinion.
- f) **Increasing profits** : opportunities for businesses to behave ethically are growing. Banks will often not lend to dubious businesses, clothes manufacturers will not use “sweatshop” workers, and coffee houses use “fair trade” coffee. Many people today seek out and purchase from businesses that behave ethically, which can lead to higher profits.

4- The impact of implementing ethical objectives :

When a business implements ethical objectives, many areas of the business environment will be affected. The effects may be on the following:

- a) **The business itself** : although in the long run the business may experience benefits from implementing ethical objectives, in the short term costs are likely to rise, and employees, accustomed to certain norms and practices, may resist change
- b) **Competitors** ; competitors may have to respond to maintain their market position.
- c) **Suppliers** : if the business implementing ethical objectives includes the policy of buying only from other ethical businesses, suppliers may have to respond in order to protect their orders.
- d) **Customers** : customers are likely to trust the business more and develop a strong brand loyalty
- e) **The local community** : businesses that have and follow ethical objectives generally see an improvement in their relationship with the local community, which can benefit them in terms of employment and goodwill.
- f) **Government** : feeling pressure from voters and other stakeholders, increasingly local, regional, and national levels of government are recognizing businesses with

ethical objectives, overall creating a government–business environment fostering ethical objectives

5- Ethical Codes :

For every profession, some ethical standards are provided and every individual of the profession is expected to maintain conformity with these standards. The need for ethical codes arises because of the fact that occupations whose practitioners have mastery over an area of knowledge have a degree of power by virtue of their expertise and this power can be used for the benefit of the professionals at the cost of the society. This has resulted in many occupations issuing a code of ethics of professional practice so that clients may know the standard and commitment that they should receive from a professional.

In management also, a code of conduct has been formulated to suggest the behavioural pattern for professional managers. Though there is a lack of universally accepted ethical codes for managers throughout the world, in most of the countries, managers are supposed to be socially responsible, and it is their duty to protect the interest of all parties associated with an organisation.

These parties may be customers, suppliers, employees, financiers, creditors, government and the general public. However, the practice of ethical codes in management is not much prevalent in the absence of any controlling body as the management association is not fully representative of the professional managers.

Conclusion

In conclusion, business ethics play a vital role in guiding the behavior of business professionals by promoting a balance between profit-making and responsibility towards society.

Business ethics encompass principles of fairness, honesty, and integrity that surpass mere legal obligations. Establishing ethical objectives within organizations can foster customer loyalty, improve company reputation, create a positive work environment, and potentially reduce legal risks.

Additionally, the implementation of ethical practices can positively impact various stakeholders, including competitors, suppliers, and the local community, while also reinforcing the company's relationship with government entities.

Although universal ethical standards in management are still evolving, a commitment to ethical codes helps ensure that managers act responsibly towards all associated parties, benefiting both businesses and society as a whole.

SUMMARY

1- Definition of Ethics and Business Ethics:

- Ethics are principles that define what is right and wrong, involving moral duties and obligations.
- Business ethics involve truth, justice, and evaluating right and wrong within commercial activities.
- They aim to distinguish ethical actions that benefit society from harmful practices, guiding businesses in maintaining integrity.

2- Why Organizations Set Ethical Objectives:

- To build customer loyalty, as ethical businesses attract repeat customers who trust them.
- To enhance company reputation, encouraging customers to support businesses with positive images.
- To create a positive work environment that attracts motivated employees, improving morale and productivity.
- To reduce risks of legal issues, as unethical practices can lead to costly lawsuits and damage reputation.
- To meet rising customer expectations for ethical behavior, as more consumers avoid unethical companies.
- To increase profits by appealing to ethically conscious consumers, which can give businesses a competitive edge.

3- Impact of Implementing Ethical Objectives:

- Short-term costs may rise, but long-term benefits include improved trust and loyalty.
- Competitors may be pressured to adopt similar practices to maintain market position.
- Suppliers may need to align with ethical standards to retain business relationships.
- Customers are more likely to develop strong loyalty toward businesses they trust.
- Local communities benefit from stronger ties with ethical businesses, enhancing goodwill and local support.
- Government relationships can improve, as authorities recognize ethical businesses, fostering a supportive environment.

4- Ethical Codes:

- Ethical codes in professions set standards for fair and responsible behavior, protecting clients and the public.
- In management, ethical codes guide managers to act responsibly toward all stakeholders, including customers, employees, and the public.
- Although universally accepted codes for managers are rare, ethical guidelines promote social responsibility in business practices.

GLOSSARY

English	Arabic
Ethics	الأخلاقيات
Business Ethics	أخلاقيات الأعمال
Fair	عادل
Unjust	غير عادل
Immortal	غير أخلاقي
Disobience	العصيان
Moral duty	الواجب الأخلاقي
Discrimination	التمييز
Harassment	التحرش
Loyalty	الولاء
Trust	الثقة
Untrustworthiness	عدم الأمانة
Legal redress	
ICT (Information and Communication Technology)	تكنولوجيا المعلومات والاتصال
Dubious	مشكوك فيه / مريب
Accustomed	معتاد
Ethical Codes	المدونات الأخلاقية
Pattern	النمط
Prevalent	شائع / منتشر