

**THE ROLE OF BUSINESS ETHICS
IN THE CONTEMPORARY WORLD**

Annotation. The role and components of business ethics in the contemporary world were analyzed, the factors that influence the development of business ethics peculiarities were revealed. The reasons and consequences of unethical behavior in the business world were studied and universal approaches to international business ethics were proposed.

Анотація. Проаналізовано роль та складові компоненти бізнес-етики, виявлено фактори, що впливають на розвиток особливостей бізнес-етики. Досліджено причини та наслідки неетичної поведінки у світовій бізнес-спільноті, а також запропоновано універсальні підходи до міжнародної бізнес-етики у сучасному світі.

Аннотация. Проанализированы роль и составляющие элементы бизнес-этики, выявлены факторы, влияющие на развитие особенностей бизнес-этики. Исследованы причины и последствия неэтичного поведения в мировом бизнес-сообществе, а также предложены универсальные подходы к международной бизнес-этике в современном мире.

Keywords: business ethics, culture, code of conduct, ethical values.

Businesses in the global world are interconnected with each other and practices used by organizations comply with the business purposes. Business ethics is gaining importance day by day which results in more business practices. Global business organizations are highly influenced by the global culture where business ethics is given high importance and ethics-minded culture results in better integration with values, behavior and knowledge. The need arises to test the variables in the context of cultural dimensions and their effect on ethics [1]. The actuality of the problem is obvious, because business ethics is a form of applied ethics that examines ethical principles and moral or ethical problems that arise in a business environment. It is also a standard principle that helps protect the rights of both the consumers or clients, and the business itself along with the staff belonging to it.

The purpose of this article is to analyze the importance of business ethics and existing current problems, to retrace the elements of the problem and factors that influence them, to reveal the reasons and consequences of unethical behavior in business and to suggest some ways to cope with or at least reduce the scope of the problem.

Business ethics is the accepted set of moral values and corporate standards of conduct in a business organization. Business ethics manifests both written and unwritten codes of moral standards that are critical to the current activities and future aspirations of a business organization. They can differ from one company to another because of differences in cultural perspectives, operational structures and strategic orientations. However, cultural diversity can give rise to ethical issues that can be challenging for managers and employees to resolve. International business ethics is becoming very important in view of the globalization of business activity.

International business ethics has a number of open questions and dilemmas. Today it is characterized by the following elements:

1. Every culture and nation has its own values, history, customs and traditions, thus it has developed its own ethical values and understanding of ethical principles;
2. There is no international ethical code of conduct, accepted and followed by all the countries;
3. There is a lack of governments' initiative to create an ethical cooperation framework and thus to enhance ethical behavior in international business;
4. It is hard to outline those ethical values which would be understandable, acceptable and important for representatives of all the continents simultaneously [2].

International business ethics attempts to deal with questions of what to do in situations where ethical morals come into conflict as a result of the differing cultural practices. There are many factors but one can distinguish three main factors that influence business ethics (Figure) [3].

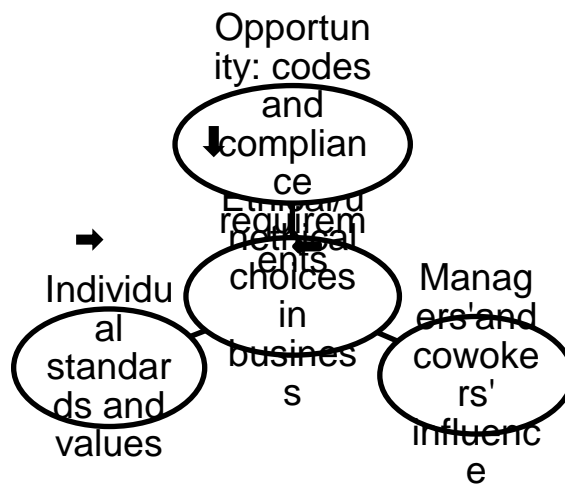


Figure. Factors that influence business ethics

An ethical business culture is characterized by several key components:

1. Adhering to commitments. The most important aspect of an ethical business culture is the same as it is for individuals: keep your promises and honor your commitments.
2. Code of conduct. An ethical business structure will create a viable code of conduct: stating how employees will behave at work, the standards the product will adhere to, and the overall ethical underpinnings of the company as a whole. It should include enforceable punishments for those who break the code of conduct.
3. Transparency and communication. Ethical businesses have nothing to hide, and while it may be prudent to keep marketing strategies or similar plans hidden, a culture of secrecy often leads to abuse.
4. Treatment of people. An ethical business structure strives to provide a positive experience to people in its organization. That means rewarding loyalty with improved wages or other benefits; demonstrating flexibility when customers require a little give; and general understanding how the company's conduct affects the lives of those around it [4].

Since individuals are likely to face ethical issues most of their lives, there is little doubt that potential employees have significant ethical decision histories when they apply. Employees need to have an experiential awareness of the types of ethical dilemmas they may face, and they need to know what actions to take in these dilemmas [5].

There are some prevailing ethical dilemmas employees may face:

- *Religious differences.* For example, a diverse organization welcomes vendors, employees and customers of different sexual orientation. This attitude of inclusion may pose an ethical dilemma for employees who have a religion-based belief that heterosexuality is the only acceptable sexual orientation [6].
- *Gender issues.* An atmosphere of inclusion where women have the same opportunities for promotion as men can generate several ethical challenges. In some countries, women are legally subordinate to men. Male and female workers from these countries may find it difficult to adjust to a diverse, inclusive work environment where men report to women, and women occupy top executive positions.
- *Hiring decisions.* An organization that wishes to have a culturally diverse workforce must hire from a diverse pool of candidates. However, a hiring manager must hire the person most qualified for the position, regardless of race, gender, age or national origin.
- *Business practices.* In some cultures, government agents expect businesses to provide incentive payments to expedite approval of requests. However, government officials may view these payments as bribes that are prohibited by anticorruption laws.

There are many reasons for an organization to follow unethical practices. They are personal gain and selfish interest, competitive pressures on profits, business goals and personal goals, cross-cultural contradictions. When an employee gives more importance to his greed or concern for his personal gain rather than any other concerns, irrespective of the harm it can bring to the organization, it is termed as unethical practices. When a company has tough competitors in a limited or static market, it may engage some unethical practices just to be in business or to protect their profits. Similarly, issues like child labor and cultural imperialism are controversial enough to call upon the attention of international business ethics. Yet another arena for strong requirement of ethics would be when multinationals bargain to take advantage of international differences, for example, when rich nations outsource their services to poor and developing nations at a cheaper cost. Dumping is yet another way by which large companies are trying to kill the domestic players. In the absence of international business ethics it may become almost impossible to regulate business and create winning situations for people in the market place [7]. Under such conditions the individuals involved have two choices: either to follow the ethical ways of the organization or "blow the whistle" on the organization.

A global organization must not only understand the values, laws, culture and ethical standards of its own country but should also be very sensitive to other countries where its subsidiaries are operating. The ethical practices in global corporations like Walmart, Coca-Cola, Nike and Sony Corporation are presented in the Table.

Table

Ethical practices in global corporations [8]

Corporation	Area	Ethical Initiatives
Walmart	Environment	<ul style="list-style-type: none"> • Adopted energy conservation measures. • Started program for recycling of materials

Coca-Cola	Philanthropy	<ul style="list-style-type: none"> • Launched program called "Education on Wheels". • Started American Indian College Education Fund
	Health	<ul style="list-style-type: none"> • HIV/AIDS awareness campaigns in Africa
	Marketing	<ul style="list-style-type: none"> • Relationship marketing with stakeholders
Nike	Social responsibility	<ul style="list-style-type: none"> • Adopted ethical code of conduct
	Human resources	<ul style="list-style-type: none"> • Created ethics office headed by ethics director
Sony Corporation	Code of ethics	<ul style="list-style-type: none"> • Based on respect for human rights. • Stresses integrity and fairness in business. • Focuses on ethical personal conduct
	Communication	<ul style="list-style-type: none"> • Launched internal hotline system. • Education of employees about code of ethics
	Anti-social elements exclusion	<ul style="list-style-type: none"> • Adopted mechanism for anti-money laundering

To sum up, several approaches to international business ethics are proposed:

- Every individual and every corporate body must outline its ethical values.
- Every individual and company should ensure understanding of ethical values and belief in their effectiveness and importance.
 - Employees of every organization must participate in creating a corporate code of conduct, which in this case definitely represents corporate culture, rather than only personal views of a company's leader.
 - Every individual and company must monitor compliance with the outlined values at all times.
 - All the ethical values must be divided in two categories – rigid and flexible. Rigid are those values which cannot be renounced under any circumstances (honesty, integrity, professionalism), and flexible ones, which are those moral principles which may be interpreted in different ways in different situations (will to understand other cultures' values, remuneration policies).

Codes of ethics are probably the most visible sign of a company's ethical philosophy. In such a way, when foreign bodies with different ethical codes of conduct meet, they are able to create an effective common ethical co-operation framework, keeping rigid values unchanged and adapting flexible moral principles. To be most effective, a code should be developed and disseminated in an open, participative environment involving as many employees as possible. Such an approach is able to ensure every involved party's accordance and satisfaction with the created ethical cooperation framework for that particular project without violating personal convictions.

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