

# Chapter 10

## Business Ethics, Decision and Cost Relations

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### ABSTRACT

*Today, all companies, local, national and international, should have a positive image as the main prerequisite of gaining a strong position at their general social image. Creating such an image depends on adopting the work ethics principles as behavior norms. The companies whose organizational structure is based on work ethics norms have an increase in their reliability, their institutionalization comes true in short time, potential of their products being chosen increases, a large and steady customer base is created and, as a result, these companies achieve a high level competitive power. The aim of this chapter is to define ethics, business ethics and cost related to unethical decision making. At the end a case study will be analyzed based on Ethical Criteria.*

### 1. INTRODUCTION

The companies which act with profit maximization cause a bunch of versatile problems on a global scale due to violation of ethic norms. The production of goods that negatively affect public health, pushing quality-price balance into the background, misleading ads, ignoring customer satisfaction, violation of customer rights, evasion of tax, bribery, various irregularities that lead to a strengthening in underground economy, negative propaganda of rival companies that damage prestige, exploitation of labor, ignoring the optimal work conditions and leave the employees to serious health problems, increased number of sexual harassment as a result of women taking part in work life, environmental disasters which trigger corruption of ecological balance and other irresponsible action formats that destroy the sustainable development opportunities constitute the main components of this bunch of problems. The balls-up what makes the gap existing in business ethics and seem as the source of traumatic scandal points out that the companies should be sensitive. Besides, configuring the work life on the basis of moral principles will affect not only avoiding the problems listed above, also strengthen their positions in socio-economic process in the long run.

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Today, all companies, local, national and international, should have a positive image as the main prerequisite of gaining a strong position at their general social image. Creating such an image depends on adopting the work ethics principles as behavior norms. The companies whose organizational structure is based on work ethics norms have an increase in their reliability, their institutionalization comes true in short time, potential of their products being chosen increases, a large and steady customer base is created and, as a result, these companies achieve a high level competitive power. The businesses can be damaged materially and morally because of employees' and managers' not acting in accordance with the moral ethics. The damages can be considered in two groups "measurable" and "immeasurable". The measurable damages include the compensations and fines that are paid by the companies because of negligence or abuse of work ethics and the loss in labor force and productivity as a result of this situation. The immeasurable damages are the loss of reliability and loss of reputation as a consequence of mentioned abuses which are difficult to fix or perpetuate its effect for a long while. Thus, the sentence "trust is like a spirit, when it goes once it never comes back" sums up the situation. Due to what has been mentioned above, a strong ethical culture within any organization is important in safeguarding people, capital and the environment. Business ethics will increase productivity and teamwork among the employees. It helps in aligning the values of the business with those of the workers. It is the basic beliefs and standards that make everything run smoothly. In this chapter business ethics is discussed and analyzed to show how it is important in a workplace.

The main objectives of this chapter are:

- Describing the main concepts e.g. moral, ethics and business ethics and the differences between moral and ethic
- Discussion about business Ethics and cost relation furthermore, Decision failure due to unethical behavior
- Analysis of a case to see the effects of neglecting ethical principles.

## **2. METHODOLOGY**

The methodology used to proceed this study is divide into two phases such as:

- A literature review to collect relevant information to fulfil the goal of the study. In order to collect information, secondary data sources are used. The data was collected from various internet sources, text books and online journals.
- A decision failure case was selected from the literature to analysis the role of business ethics in preventing the losses. The analysis of the case was conducted by brain storming and also developing a Fishbone Diagram as a tool for cause – effect analysis. The diagram named Fishbone after its Japanese inventor Kaoru Ishikawa and looks similar to a fishbone (Shahriari, 2013). This graphical tool is used in order to identify, sort, illustrate and map different causes to a problem or a condition in a structured way (Shahriari, 2013). It can be used for several purposes including planning and problem solving. When problem – solving, the diagram shows the problem, its causes, and the relations between them. On the right end of the diagram the problem to be solved is represented as a head of the fishbone. A horizontal line, like a backbone, connects it to further branches, in which the main problems for this problem are stated (Figure 1). Further levels can be added stating influential factors to the main causes (Shahriari, 2013).

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