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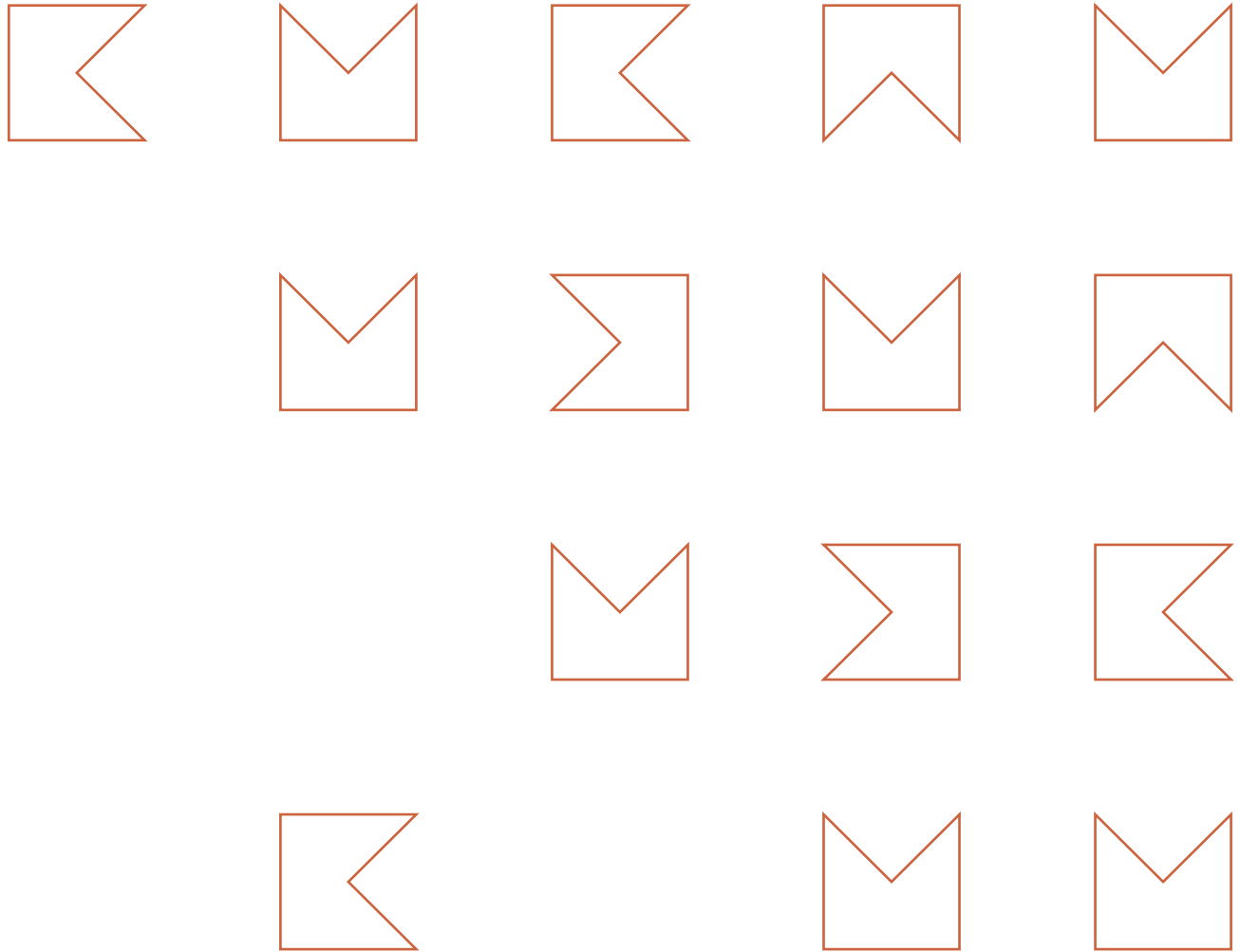
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1. What is ethics in business?

The Basics

Ethics is about recognizing how your actions might help or hurt others. Almost every business decision or action has some positive outcome for someone, or may be harmful to someone else. For example, offering a job to a candidate can be very helpful to that person, but at the same time keeps the opportunity from other, perhaps equally deserving, people. Ethics is about recognizing these kinds of tradeoffs. One person is helped, the other is not. In this way, most business decisions and actions have ethical meanings and involve tradeoffs. An ethical business decision is one in which you maximize the help to others and minimize the harm. An ethical business decision helps you live up to your own principles for making a good impact in the world. An ethical business decision is one in which you and your business live up to the expectations of society and the community for being good citizens.

Tell Me More

Business decisions and actions affect people, positively and negatively. Your business can do a lot of good in the world just by playing a productive role in the economy. You may be providing jobs, or needed goods or services. You may be creating value for your employees, partners, customers, suppliers, community, yourself and your family. However, business decisions and actions can also have downsides. As you try to achieve your business goals—for example, as you make decisions about employment, whom to use as suppliers, how to make your products, how to deliver your services, how to price, and so on—it is expected that you will not be able to satisfy everyone's best interests. In business, you will need to make tradeoffs. In order to run your business the best you can, you will find that sometimes you need to make decisions that have a negative effect on some people. Business ethics is all about being aware of these tradeoffs and making your decisions with an understanding of what these tradeoffs mean to you and others.

Ethics in business requires using your strong sense of right and wrong as a guideline for your decisions and actions. Although people will disagree, sometimes strongly, about what is right and what is wrong, underneath the external disagreements all tend to share certain moral impulses. To one degree or another, you will find these moral impulses reflected in your own personal values, in your family's values, in your local community's values, in the values of your society, and in the values of your religion, Islam. Those moral impulses include the desire to reduce suffering, increase fairness, help the poor, create meaningful jobs, respect people who deserve respect, help and be loyal to one's social groups, and contribute to development of your country. As you strive to be ethical in your business decisions, you can ask yourself if you are maximizing the help to others and minimizing the harm. Are you living up to your own values—to your strong sense of right and wrong? Are you living up to values of your community—to what others believe is right and wrong? Are you living up to basic principles of right and wrong—that most people in your family, society, and country would agree with? Are you living up to the teachings of Islam?

Ethics in business gets complicated when you have an ethical dilemma. A dilemma means that you have a choice, but it is not an easy choice. It is not easy because something important will be gained no matter what you do, or something important will be lost no matter what you do. Your choice involves a tradeoff, because you will have to sacrifice one goal in order to achieve another. For example, your dilemma might be between meeting the needs of individuals versus meeting the needs of the community, meeting your own needs versus meeting the needs of others, or causing short term hardship versus long term hardship. Perhaps your dilemma will be between two basic values that you want to show in your company or behavior. For example, you may have an employee who is newly widowed. You want her to come to work and be on time, because that is only fair to your other employees, but you may decide to let her miss some days or arrive late, because you want to be merciful and be aware of her suffering. Both of these values are important to being seen as a good leader,

but they also might be seen to be in conflict with each other and it is not easy to uphold them both at the same time.

Ethics in business is a product of good, thoughtful decision making that takes the needs of others and the moral expectations of others into serious consideration. Many companies create a code of conduct or code of ethics to help define their values and how they want to uphold their business ethics. You can start doing ethical business with basic and simple values today.

Glossary Terms from this Section

Ethics – Process of making decisions about what is right for you, your company and your employees based on the values you and your business want to represent; recognizing how your actions might help or hurt others.

Tradeoffs – When you must make a choice, but it means you have to give something up in order to create a compromise.

Impulse – A strong and thoughtless urge or desire to act; a driving or motivating force.

Values – A person’s principles or standards of behavior; an individual’s judgment of what is important in life.

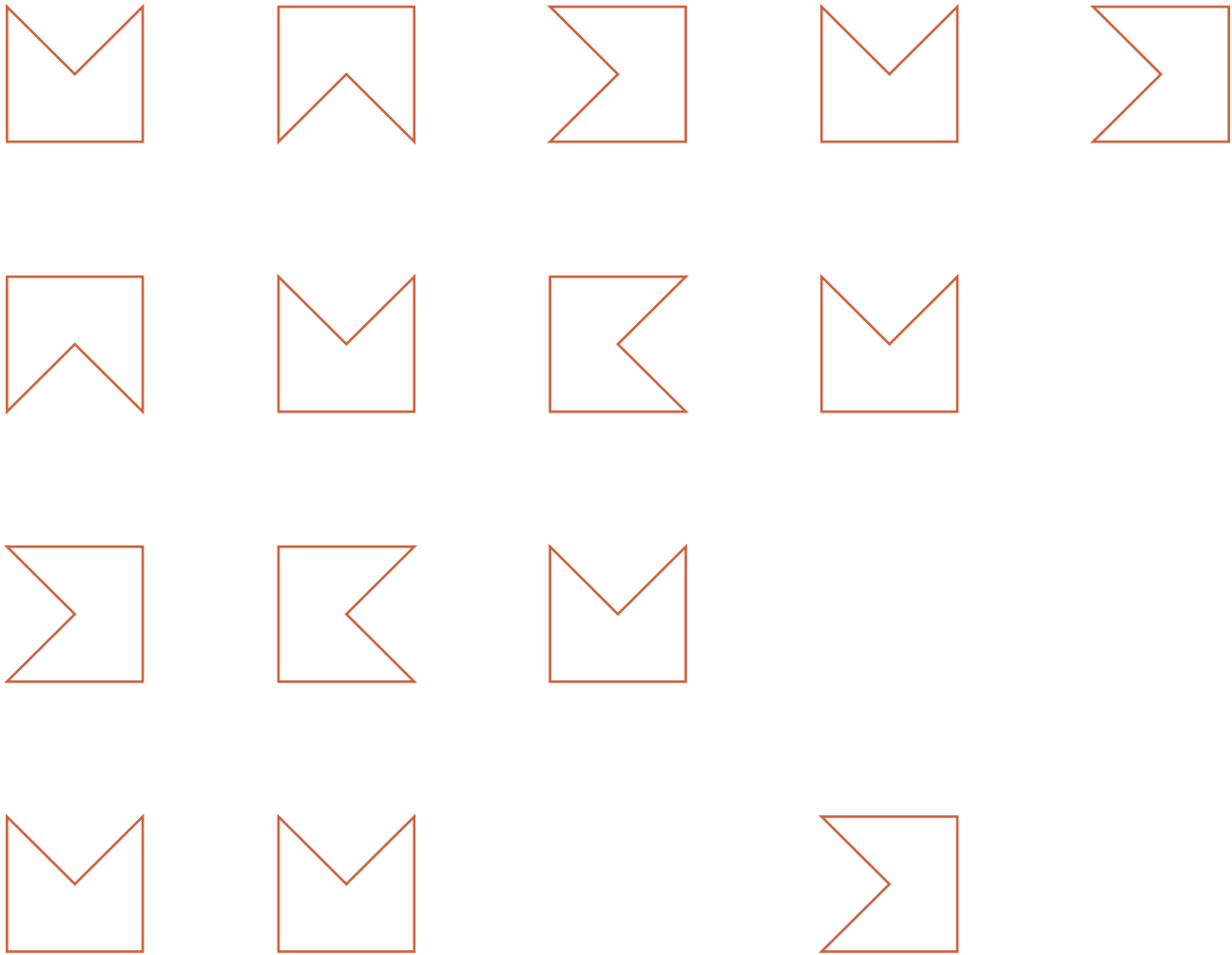
Principles – An internal idea of right and wrong based on ethics and values instead of external laws and rules.

Dilemma – A hard choice that you must make between two options or values.

Code of Conduct – A formal document or policy that defines and explains a business’s values and explains expected rules and behaviors for employees to follow.

For More Information Related to this Topic See

- What is a code of conduct? How do I write a code of conduct or a code of ethics for my company?
13. Business Ethics
- I have an ethical dilemma. How do I decide and implement the best steps forward? *13. Business Ethics*



2. Why is ethics necessary for success?

The Basics

As you engage in business, you and your business develop a reputation. Reputation means that people look at your past behavior for clues about how you will behave in the future. When you develop a strong reputation for meeting people's expectations, they will want to do business with you in the future as customers, suppliers, investors, or employees. When you develop a reputation for failing to meet people's expectations, you will have a hard time finding and keeping those stakeholders. Clearly a good reputation is needed for business success. An important part of your reputation is related to how careful you are in keeping high ethical standards. If people look at your past behavior and see that you are concerned with minimizing harm, that you care about fairness, and that you treat others with respect, they will believe that you are safe and trustworthy to do business with. If people believe you ignore the harm you are causing in the world and think that you lack ethics, they will not trust you and will be less likely to do business with you.

Tell Me More

To run a business successfully, you need other people. You need customers who are willing to buy your product or service. You may need employees, and you may need investors. If you are making a product, you need suppliers of your raw materials. All of these different people decide initially whether it is a smart idea to do business with you, and then they decide on an ongoing basis whether they want to continue working with you. Those decisions are made based on the reputation you build. A good reputation means that people trust you to be reliable and to meet their needs in the future. A good reputation helps you attract the people you need to run your business successfully. A bad reputation means the opposite. Because people expect you will disappoint them and take advantage of them, a bad reputation drives away the people you need to run your business.

When you keep high ethical standards, you help to build a good reputation. Good ethical decision making has a positive effect on your relationships with customers, employees, investors, and other parties. Ethical behavior helps to build trust with others, and increases their willingness to participate in your business. For example, Maliha ran a jam production business. She used to pay her suppliers of fresh fruits as promised. She also provided books to the local school in her area. She had built trust with the community and her suppliers. Because of personal problem, Maliha had to ask the suppliers for more time to make the payments. Because of their past experiences with her, her reputation, they allowed her to pay the amount owed after two months. Maliha recognized this was a one-time situation, and not an opportunity to try and continue to take advantage of the supplier's flexibility in the future.

Customers, for example, want to be treated with fairness and respect, two of the key elements of ethical business. An ethical business tends to have a strong focus on customer satisfaction. Your business will likely depend upon repeat purchases by customers, and on long-term customer relationships built on mutual trust. Customers who are satisfied will return, but customers who are dissatisfied will not come back, and will discourage friends and family from doing business with you. A business dedicated to improving customer satisfaction builds customer trust and customer dependence on the business over time. One way you can satisfy some customers is by creating a reputation as a good corporate citizen. Many customers like buying from businesses that they perceive as being a positive and beneficial influence in their community and the country. An ethical business reputation will also help you find and keep employees, and will lead them to be more committed to you and more productive. Running an ethical business means that you take good care of your employees. Taking good care of employees means stopping abusive behavior, honoring all of your commitments, creating a safe working environment, and paying fair wages. In return, employees are likely to take good care of the business, and will want to continue as employees. Treating employees with respect and thoughtfulness helps to build an ethical culture. In that kind of culture you can trust your employees, employees treat each

other with respect and trust, and employees put a lot of effort into achieving high customer satisfaction. Employees who think that they are working for a business that is making the world a better place will be more loyal and motivated. For example, doctors and nurses working at a hospital in Herat take pride in helping women get better health by providing treatment and health counseling.

Keeping high ethical standards will also help you attract and retain investors in your business. Business investment entails considerable risk, but your good ethical decision making will help to reassure your investors that your trustworthiness and reliability will reduce that risk.

The tie between ethics and business success, between ethics and profits, is reputation. As you make decisions that take the needs of others into serious consideration, you build a reputation that draws others to you. That reputation will build trust and commitment with the people you depend on. A reputation for running a strong ethical business will help you develop and keep the relationships that are critical for your business success.

Glossary Terms from this Section

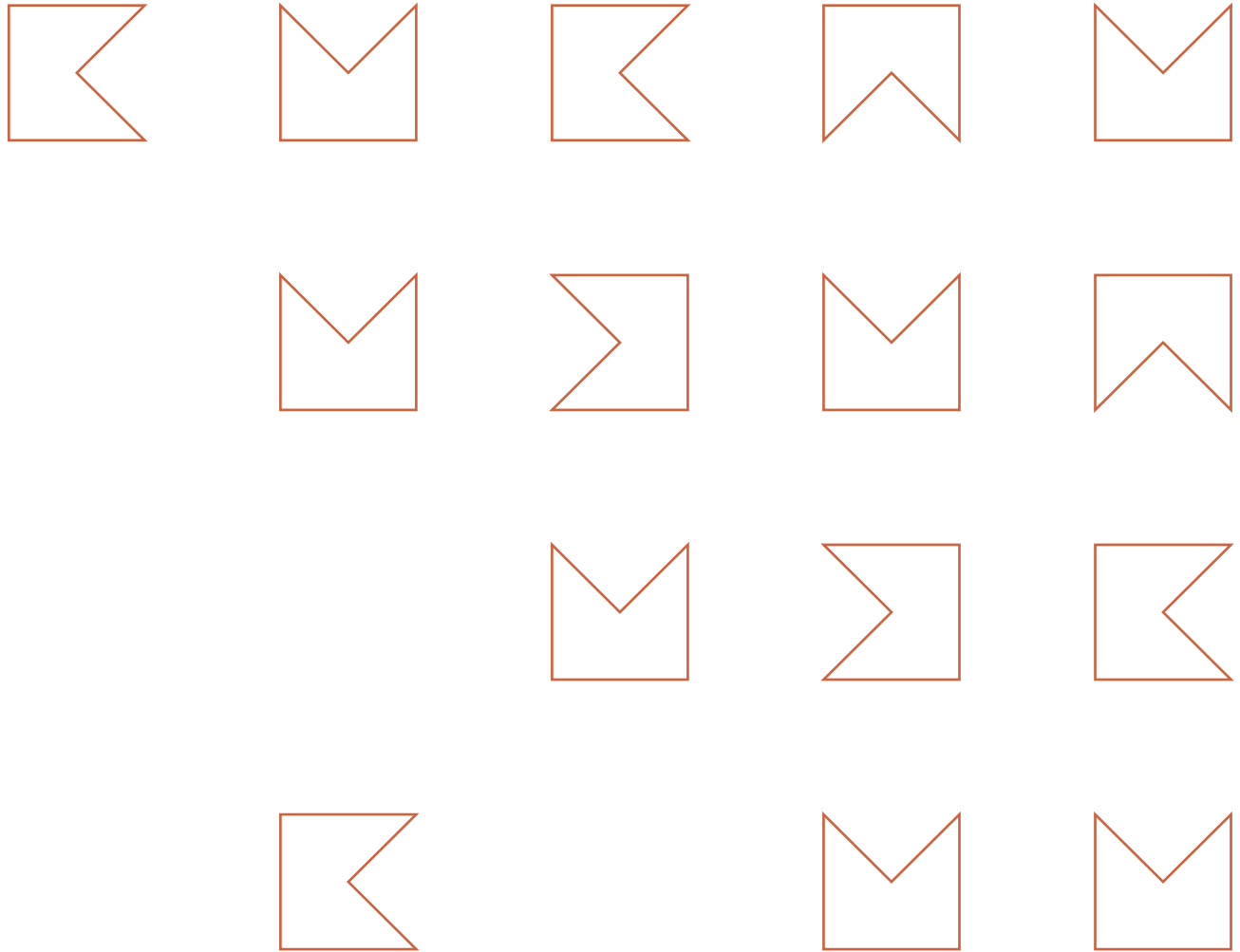
Corporate Citizen – A business that shows they are responsible to the people and environment around them.

Reputation – Beliefs or opinions about someone.

Stakeholders – People who are impacted by a business or can have an influence on it through their behavior or actions.

For More Information Related to this Topic See

- How can unethical behavior affect my business? 13. *Business Ethics*



3.
**I'm following all
the laws. Isn't that
the same as acting
ethically?**

The Basics

Being ethical and following the law are similar and the ideas behind these two practices often overlap, but they are not the same thing. Following the law is viewed as a requirement, but being ethical might sometimes mean the need to do what is right and upholds values beyond or outside of what the law says must be done. Ethics is the process of making decisions about what is right for you, your company, and your employees based on the values you and your business want to represent. In business, following the law is often considered the minimum standard for having a good company and avoiding risks. It is something that is a basic requirement to stay out of trouble and avoid fines and punishment. All companies are expected to follow the law, but it is the decisions that people and businesses make that go beyond the law that represent the ethics of a business.

Tell Me More

Many people think of ethics and following the law as being the same thing. However, when you think about examples from your own life, you can see how your ethics or values are much more detailed than just following the law. Following the law (also called “compliance”) is often very simple and clear. It is something you do that shows your willingness to treat others fairly and observe the rules of business and society. For example, the government might require companies that make products with ingredients that might be harmful, if used incorrectly, to put a notice on the label that the contents are poisonous and should not be swallowed as a warning to customers. Failing to put this label on a product would be a violation of this rule and result in fines or other restrictions or action by the government. This would be a failure to meet a minimum legal requirement or standard that might put customers at risk. Labeling the product as required would mean that your company is following the law.

Ethics in business often starts with the law, but goes beyond the minimum requirements and takes into account what values and issues you want to consider and promote in a business. In the cleaning product example, the legal answer is to make sure that you label your products with a warning about the chemicals in the product. However, a company that considers ethics (not just following the law) might also decide that they value having a product that is safer for their consumer. The government might not require it, but they could decide that they want to find a way to make their product without harmful chemicals. The business is then making a decision about their ethics, not just the law.

If you and your business start with stressing the need to follow the rules and laws, it is often a good way to start. Think of business ethics as a house: the rules and laws followed make up the foundation, walls and roof. These are the basic things a business needs to operate in a community. Ethics are what is put inside the house, the doors used, and how it is decorated. This is what makes all houses different and in business, these are the ethics of an organization. If you want to keep a house very basic, you might just do the minimum you need to keep out rain and snow. This is following the law. However, to make your business grow and be a comfortable place for customers and employees, you need to pay attention to ethics, just like you would pay attention to making your home comfortable for guests.

Following the law is important, but it is not enough if you want a strong business that attracts customers and good employees. Often laws do not regulate every possible course of action for a business, but your values can. In addition to following the law, you should make sure your business represents your values and how you want your business to contribute to society and make the world better. The only way to do this is to pay attention to ethics and values in your business by looking at how you provide your product or service beyond what the law needs. Some companies even find that they can create new products or better service when they do this, making them stand out from competitors. Having ethics beyond following the law can also help you connect

and keep relationships with people inside and outside of your business, making your business a stronger competitor in the market.

Glossary Terms from this Section

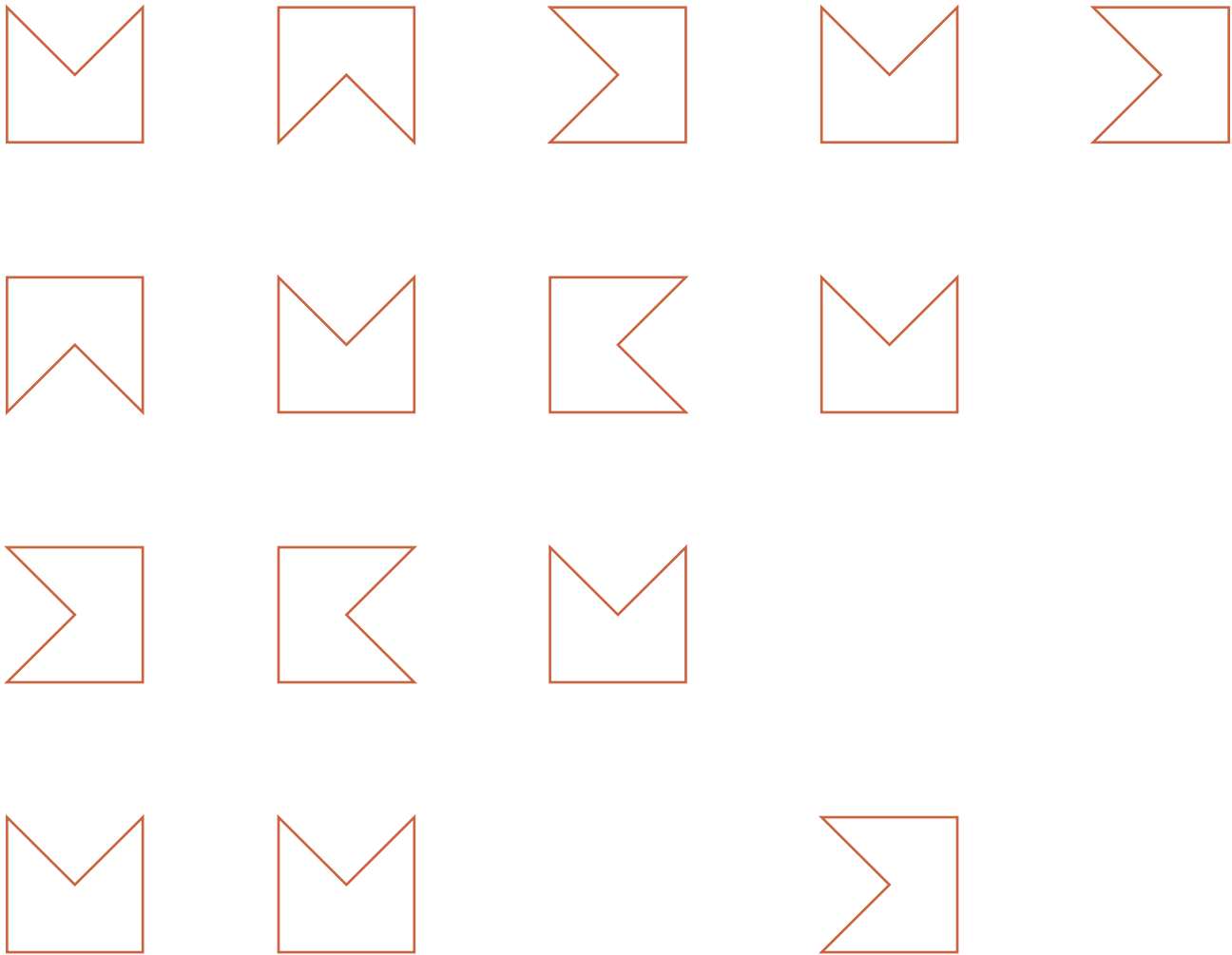
Compliance – Following set rules, laws, or demands.

Ethics – Process of making decisions about what is right for you, your company and your employees based on the values you and your business want to represent; recognizing how your actions might help or hurt others.

Minimum Standard – The smallest amount possible, allowed, or required by law, regulation, or industry norm.

For More Information Related to this Topic See

- What is ethics in business? *13. Business Ethics*
- What is social responsibility for business, and why is it needed? *13. Business Ethics*



4. What is social responsibility for business, and why is it needed?

The Basics

Social Responsibility is the business concept that profit can be gained in a way that also benefits employees, local community and the planet. This is typically in addition to anything required by law. In addition to helping the world, companies often see other benefits. These benefits could include increased morale in your employees, new customers, access to grants, and enhanced reputation in the market. It has now become an international standard that companies have some level of social responsibility. It used to be thought that a company's only responsibility was to make money for its owners. Social responsibility, sometimes referred to as "corporate social responsibility", or CSR, is the idea that money can be made while still benefitting the community or the world in other ways. This idea leads to the belief that companies should try to balance their benefits on three things: people, planet (or environment), and profit.

Tell Me More

In many cases companies are actually able to create value by participating in corporate responsibility. There are many benefits to practicing social responsibility:

Since employees that are given the choice typically prefer to work for socially responsible companies, this can help with both recruiting and keeping employees, especially when there is a high demand for a position. Depending on the program, it may help employees feel motivated to work for the company.

Corporate social responsibility is also a great way to find customers. Many activities can help your company be seen positively within the local community. For instance volunteering your services or donating to a local cause will expose your company to potential customers who see you doing good deeds. Supporting community organizations, especially those you and your employees support/need (such as schools or hospitals) strengthens the community as a whole, and helps to create a better overall business environment.

Adding social responsibility initiatives can also give your company special status. Your company may be eligible for special grants from government or non-profit organizations to support businesses that help in the development of Afghanistan.

There are many ways that your company can become more socially responsible. A restaurant owner may donate their leftover food at the end of the day to the homeless or orphanages. These owners are able to create value from something that would have normally been thrown away. In addition to creating goodwill, this may also save on waste disposal fees.

Many companies give back to their communities by volunteering their services free of charge to those in need. For example, a private university may admit students from minorities or poor communities at a discounted tuition or at full waiver. It could help create a hiring pool if you are ready to expand your business. It also creates additional visibility which can help attract new customers.

While many of these activities can be seen as charity, if done correctly, social responsibility can also build value and profit for the company. Social responsibility has been so successful in other companies, that it has become a fundamental part of business for many companies all over the world. In Afghanistan, a number of mobile network operators and entrepreneurs have developed community outreach programs to work among companies.

Glossary Terms from this Section

Goodwill – Having a friendly and helpful reputation; creating positive feelings or attitudes toward someone.

Reputation – Beliefs or opinions about someone.

Social Responsibility – Idea that business should think about more than just their profits, but also the benefits they bring to communities and/or the environment.

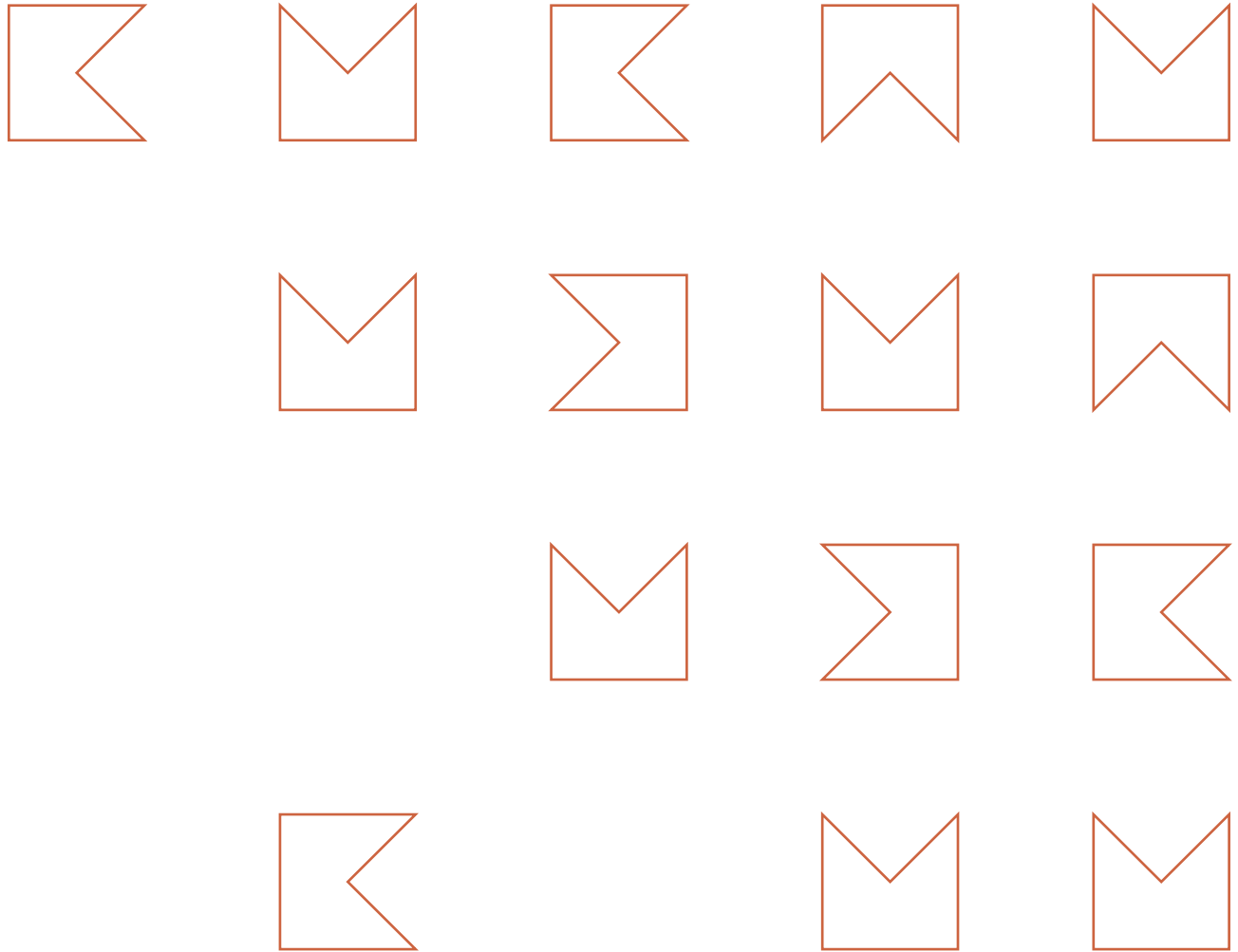
For More Information Related to this Topic See

- What does the natural environment have to do with business ethics? *13. Business Ethics*
- What does the security environment have to do with business ethics? *13. Business Ethics*
- What does the economic environment have to do with business ethics? *13. Business Ethics*

Additional Tools Available

Corporate Social Responsibility Policy Sample

Corporate Social Responsibility Policy Template



5.
**What is a code of
conduct? How do I write
a code of conduct or code
of ethics?**

The Basics

A code of conduct (also called a code of ethics) is a set of policies that business leaders use to define their organization's values and responsibilities in a way that guides and helps employees make decisions related to business ethics. This document sets clear expectations for employee behavior, consequences for breaking them, and helps employees follow the values of the company in handling ethical dilemmas. Having a code of conduct will promote ethical behavior in your organization, provide a guide for employees to handle ethical dilemmas, and encourage a positive culture for the business. A code of conduct is not only for big companies. Any size company can create a code of conduct that helps employees make decisions on what is right for the business.

When you create a code of conduct or code of ethics, you should first state the core values and mission of your business. The next part should list principles or guidelines for employees to follow. The code should give employees information on how to communicate and report problems they see. Another part should explain what the responsibility of employees is in upholding the code of conduct. Finally, the code should address all relevant laws and legal factors that employees may need to be aware of to avoid breaking the law while doing their jobs. It should be reviewed and updated regularly to make sure it addresses the current business challenges and legal needs where your company works.

Tell Me More

As a business owner, you will have many expectations about the behavior of your employees and how you expect them to address ethical issues. Having a code of conduct or code of ethics is the best way to communicate these expectations clearly and consistently to the people who work with you. By setting clear standards and expectations, you minimize misunderstanding about how to handle common problems and challenges and give your employees tools and information so that they can uphold ethical standards for your business.

There is no right way to write a code of conduct for a business:

Organizations and leaders all have unique values and challenges that these policies are meant to address. However, one quality that makes these codes effective is a focus on giving employees guidance rather than a list of rules. Instead of being a rulebook, the best codes of conduct set expectations based on the organization's values and give employees information on how they can meet those expectations, and consequences when they do not, while also encouraging them to speak up and contribute to solving the ethical challenges they face. This is called a “principles” or “values-based” code of conduct. For example, a local café owner, Muzhda, wrote a simple two-page guideline for her staff to avoid illegal payments to officials and promote community support. The guideline provided a few ways to handle illegal requests for money by offering tea as opposed to money or goods with considerable value.

Your code of conduct should have the following elements:

Company Values and Mission

The first part of the code of conduct can be a letter or statement from the head of the company telling employees about the purpose of the business (mission) and the values that the company intends to uphold in achieving that mission. For example, if you have a restaurant, your mission might be “to cook high-quality, delicious meals, and give excellent customer service.” You would then tell your employees how you want them to achieve this. So the values statement might build on this by talking about valuing attention to high quality ingredients, being honest and showing respect for customers, and showing a commitment to honesty and accuracy in your business transactions.

Principles for Employees

This part of the code of conduct should give employees an idea of what is allowable behavior and what is not good behavior. Often, this part of the code of conduct is specific to your type of business. A manufacturing company, for example, might focus on waste product disposal, attempts to reduce environmental impacts or improving workplace and product safety, and how employees can help with that. A more customer-service oriented business would instead focus on telling employees what is expected in how they interact with customers and each other. These examples are not rules, but guidelines for employee behavior that are specific to the business and industry; that display to employees the type of behavior you want to encourage. You can draw on your own experience to help guide you in this section, thinking about how you would recommend your employees act when they are in the types of situations you see in your business or how you've handled situations in the past that they might also encounter.

This part of the code of conduct should give employees ideas and instruction about how to handle the issues they may face. Because you cannot predict every situation an employee may need to deal with, you might give employees questions they can ask themselves when they need to decide what to do. For example, you might tell them to ask themselves “would I be able to explain this decision to my boss, giving her all the details and information?” or “does what I am doing help the reputation of the business?” Even a simple “what is the right thing to do?” can help simplify how to handle a situation. Telling employees to ask themselves these questions helps them take responsibility for decisions and shows that you trust their decision-making, which can help them to be more effective decision-makers.

Communication with Management

In this part of the code of conduct, focus on letting employees know that they can communicate issues without being afraid of getting into trouble for bringing up problems they see. Many employees do not speak up about problems because they fear getting into trouble, so this part of the code of conduct is very important. It should tell employees the best way to bring up issues and reassure them that they will not be punished for doing so. Some business leaders use this section to encourage employees to come to their office or to call them to talk about any issues they face. This is called having an “open door” policy. Other businesses use this part to tell employees how to raise concerns using a “chain of command” method where they first report issues to a direct supervisor who either manages the response, or brings it to the attention of the next leader in the business. Another way is to have a dedicated complaints box where employees can write their report and share with the management anonymously. This may or may not be possible, depending on the size of your business, but clearly telling employees the best way to communicate issues will make them more comfortable. It is important that this section makes it clear that they will not face punishment for asking questions or reporting issues so they will be more likely to speak up. Then, when employees do speak up, make sure that everyone in the business upholds this promise. You will need to authenticate the information provided and make logical judgement with thorough research and information collection.

Personal Responsibility

This section should make it clear that employees are expected to follow the code of conduct anytime they are at work, representing the company at social events, on business trips and visits, or conducting company business. This part of the code of conduct should also explain the consequences for failing to follow the code of conduct. For example, you might tell employees that they will be held responsible for their behavior and that the failure to follow the company's code of conduct could result in punishment, possibly including being fired from their job. This section lets employees know that they have a responsibility to uphold the ethics and values of the company and that they represent the business. Telling them that they will be responsible for their behavior encourages employees to follow the code of conduct and shows them that you take ethics and their behavior seriously when it reflects on your business.

Laws and Regulations

This part of the code of conduct should inform employees about all relevant laws and codes that they may need to deal with when working for your business. For example, a taxi services company (e.g. Kaweyan Cabs in Kabul) should inform its employees about the regulations regarding traffic rules in order to keep the business away from violating traffic rules and having to pay hefty penalties. Any knowledge you have of general industry expectations or practices can also be included in this section. These laws and standards will help employees to understand the community and legal expectations that your businesses faces and what needs to be done to follow those rules and standards.

Finally, the code of conduct should make it clear that it is a guide for employees that should be reviewed often. Write the code of conduct in simple language, using examples to keep the issues and expectations for behavior clear. When drafting your code of conduct, it is helpful to have someone else read it before giving it to the employees to make sure that it is easy to read and understand. Sometimes it is also helpful to get employee feedback, asking your employees to make suggestions. You could ask them: “Would this code of conduct be helpful to you?” “What might make it more helpful?” “What other kinds of challenges or issues could be included?” This will help you to be sure that the document is helpful and addresses the problems and issues that are most important to your employees.

Glossary Terms from this Section

Code of Conduct – A formal document or policy that outlines the mission and values of a business, expected rules and behaviors for how employees are supposed to approach problems, and the ethical principles based on the core values of the business.

Principles – An internal idea of right and wrong based on ethics and values instead of external laws and rules.

Open-door policy – The idea or policy that someone is always welcome to visit and talk at any time they need help.

Chain of Command – Official structure of responsibility that tells who someone needs to speak with, get permission from or report to in an organization.

Reputation – Beliefs or opinions about someone.

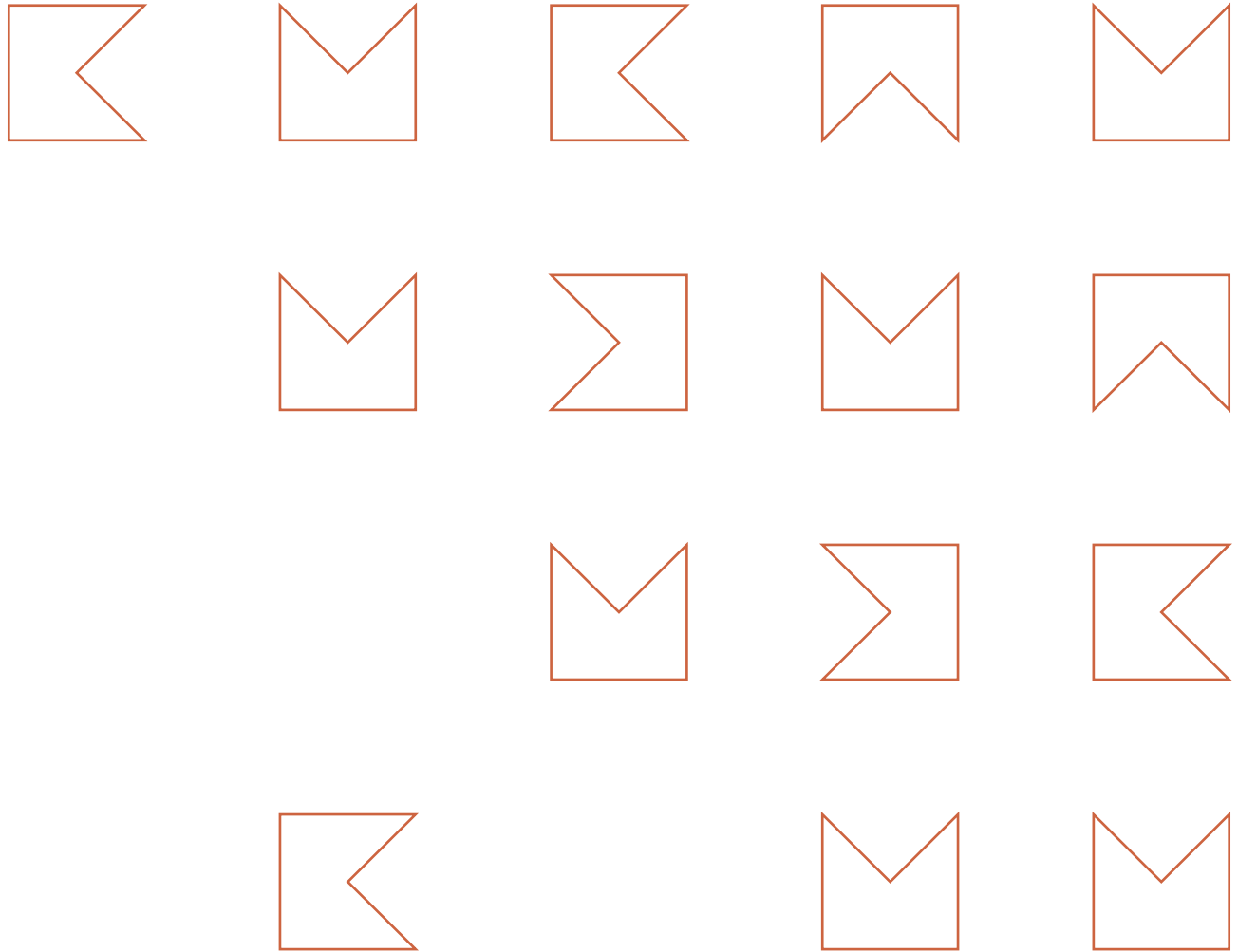
For More Information Related to this Topic See

- What do I do if I discover one of my employees has acted unethically? *13. Business Ethics*
- I have an ethical dilemma. How do I decide and implement the best steps forward? *13. Business Ethics*
- How do I create an effective company handbook for employees of my business? *8. Human Resources*

Additional Tools Available

[Code of Conduct Sample](#)

[Code of Conduct Template](#)



**6.
Who in the company
is responsible for
maintaining
business ethics?**

The Basics

Maintaining ethics in a business is important for everyone who is a part of that business. This includes employees, suppliers, business partners, managers and the head of the business. Unfortunately, it only takes one person acting unethically to hurt an entire business. The leader of an organization sets the standard for business ethics and should encourage ethical behavior by everyone around them. Business leaders do this by communicating the company policies and values and by setting the rules and standard of ethics in the company. They should also give employees ways to speak up about ethical problems and rules that they see being broken, as well as rewarding those who support company ethics and values. Leaders need to set a good example, since employees pay attention not only to what you say, but also what you do. Since maintaining business ethics is important, it is the responsibility of those leading the business to make sure that everyone knows what behavior is expected of them and to encourage everyone in the company to be a part of creating an ethical business.

Tell Me More

Good business ethics requires planning and encouragement from leaders of the business. While all employees should feel responsible for acting ethically, the only way to ensure this is for the business leader to make sure that everyone is aware of the values of the business, set processes and policies that promote ethical behavior, and hold those who do not follow the policies or who break the rules responsible for their actions. Setting this example and these processes in place is called creating a “tone at the top”. The tone at the top refers to the ability of the business founders and leaders to encourage everyone to promote ethics in the company. You can set a strong tone at the top by communicating what you expect of employees, providing a way for them to speak up about problems, rewarding good behavior, and leading by example.

The first step to making sure that everyone in the company are trained about the ethics of your business to make sure that your expectations for ethical behavior are clear. This means that you need to establish the ethics and values of your business and communicate them clearly to your employees. You can do this by creating a code of conduct, addressing ethical issues and values in your business policies and trainings, and making clear rules about what kinds of behavior are not allowed in your business. Ethics policies should state that unethical conduct will not be accepted. You must also be prepared to take action to correct behavior if employees do not follow the policies. Business leaders who never talk about ethics and focus only on profits and sales will find that their employees will ignore ethics and perhaps break rules and laws because they feel that ethical conduct is not a priority of their bosses. Even if you have strong values and expect ethical behavior, not communicating those expectations to your employees frequently fails to set the right tone at the top. Employees need to hear and see that ethics are important to you and the business, otherwise they are more likely to break rules or commit fraud.

Once employees know that ethical behavior is expected, you should give them ways to report violations of the standards for ethics that you have put in place. Even when employees want to be ethical, sometimes they feel pressure to be quiet about unethical things they see happening. They are often afraid of offending others, getting their coworkers in trouble, or being seen as troublemakers. When employees are silent about problems, you cannot run your business with full information. The best way to encourage employees to speak up and contribute to business ethics is to encourage them to talk about what they see happening. Employees will be more likely to come to you if they see that you support those who speak up about unethical behavior. However, if they bring up concerns and you ignore or scold them for doing so and make no effort to hold others responsible for unethical behavior, even ethical employees will stop supporting ethics in the company. At times, you might ignore unethical behavior by senior members in your team, but that sets an inappropriate precedent for the rest of your team. In Afghan culture, respecting elders and supporting family members are common practice, but you should keep your judgement on ethical issues impartial.

A positive work environment will help promote ethics and loyalty of employees in the company. Employees

who feel valued when they behave ethically will be unlikely to do things that could hurt the organization or the reputation of the business. Reward employees for hard work and ethical behavior, especially when they avoid cheating or taking unethical actions. Also, make sure that goals for employees can be achieved and do not create pressure for employees to cheat others or rules in order to be rewarded. It is important that employees are encouraged for not just the end result (like making lots of sales), but also for how they got that result (like keeping high quality for the customer). Employees should know that meeting financial or sales goals is not the only measure of success. Ethical behavior should also be recognized and rewarded.

Being an ethical leader may also require correction and penalties for unethical behavior. While you want to encourage discussion on the right ethics in the work place, penalties for unethical behavior in the company should be consistent and clearly explained to employees in your expectations and policies. These need to be enforced without bias and consistently, so that all employees are held to the same standard and expectations of ethical behavior. If one employee is punished for stealing from the company, but another employee is not punished for similar behavior, the company's ethics and policies become weak. Penalties should be severe enough to make employees want to avoid breaking the rules, just as rewarding employees for ethical conduct should encourage them to want to work hard to uphold ethics. Make sure that you lead your employees by example and with integrity. Their behavior will reflect not just the words and policies on paper, but also what they see you doing. Show employees how to act by setting a good example. You must show that you are committed to ethical behavior in both words and actions. Employees will look to you for guidance. You should be aware that you are the role model and someone they look up to as a leader. The tone that managers and leaders set affects others working with and in the company. If the leaders in a business encourage ethics, integrity and communication, employees are more likely to do their part in helping maintain company ethics. Employees will pay attention to the rules and examples set by their boss and will work to meet those standards.

Glossary Terms from this Section

Code of Conduct – A formal document or policy that outlines the mission and values of a business, expected rules and behaviors for how employees are supposed to approach problems, and the ethical principles based on the core values of the business.

Ethics – Process of making decisions about what is right for you, your company and your employees based on the values you and your business want to represent; recognizing how your actions might help or hurt others.

Reputation – Beliefs or opinions about someone.

Tone at the top – The atmosphere or communication in a company that shows a business leader's focus on promoting honesty, integrity, and ethical behavior in the company.

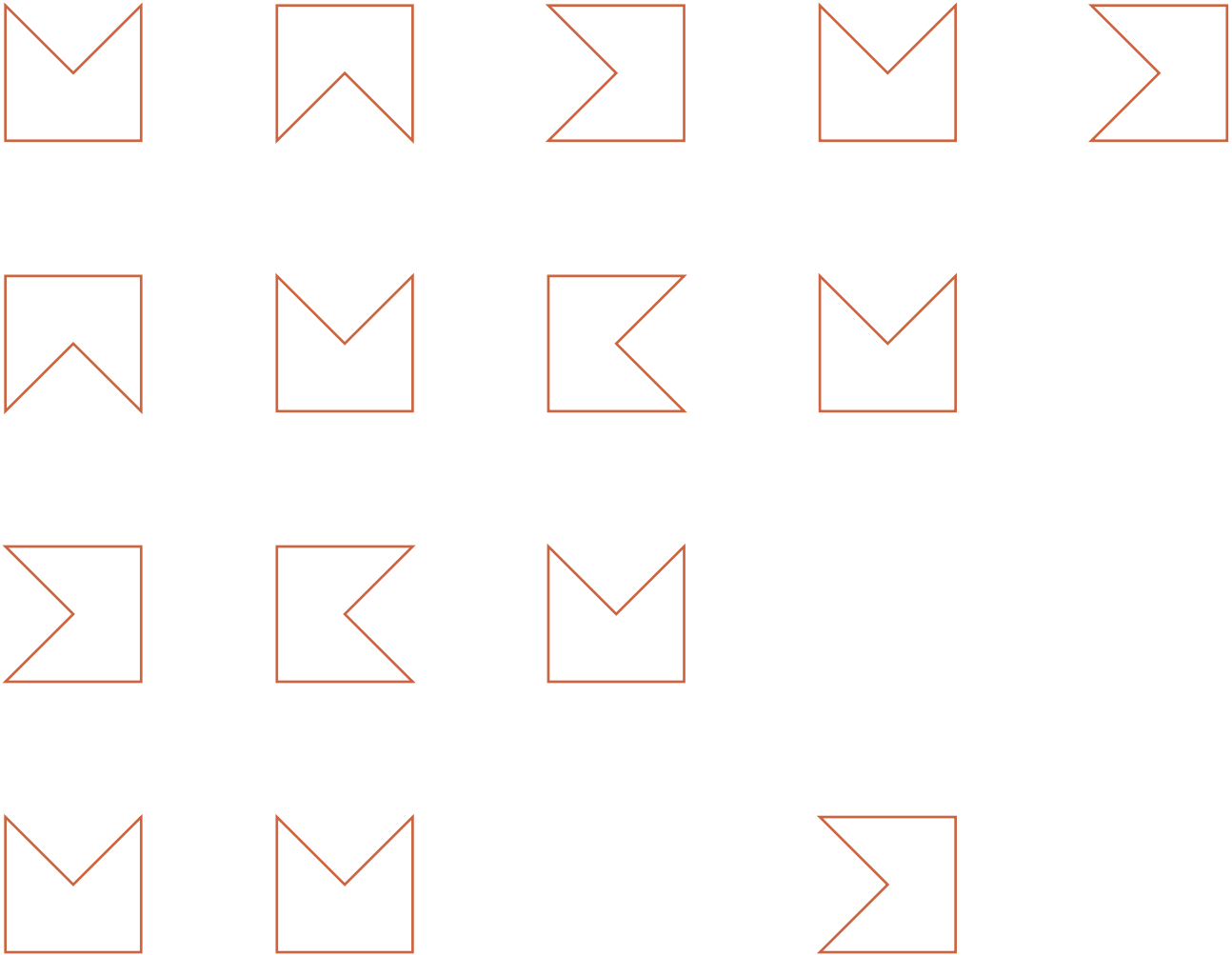
For More Information Related to this Topic See

- What is a code of conduct? How do I write a code of conduct or code of ethics? *13. Business Ethics*
- What do I do if I discover one of my employees has acted unethically? *13. Business Ethics*
- Do only bad people act unethically? *13. Business Ethics*

Additional Tools Available

Code of Conduct Sample

Code of Conduct Template



7.

How and why should I deal with competitors ethically?

The Basics

Dealing with competitors in business means making sure that the business environment is fair to everyone. A fair business environment is good for the economy and is good for consumers. Sometimes in business you might be tempted to do things that decrease competitive fairness to promote your business and profits. This can lead to ethical and legal problems for your business. To avoid this you need to deal with your competitors fairly. When thinking about competitors in business, a number of common ethical issues can arise. One is to make sure you do not steal from your competitors. Stealing in business can take many forms: it is not just about taking money or products, but you also need to make sure you do not steal private information from other businesses. The other ethical issue when dealing with competitors is “collusion,” which is what happens if you make secret agreements with your competitors that harms other people, such as customers or other businesses. Another unethical way to deal with competitors is to pay bribes to cut out competitors and win contracts. Ethical behavior in business means you must avoid both of these practices (stealing and collusion) when dealing with business competitors.

Tell Me More

When you own a business, it is important to understand what your competitors are doing. This allows you to know how to make your product or service stand out to the potential customer. However, when understanding the competition, you must make sure that you treat your competitors fairly and that you do not engage in unethical behavior.

It is not unethical to get information about other business that have similar services or products to yours. Most of the time, getting this information is done by talking to customers or visiting the business and gathering information that is available to anyone. However, when you take products or information that is not open or offered to the public, this can be seen as stealing private business information from others. For example, pretending to be someone you are not, such as a health inspector, to get access to a competing restaurant’s kitchen to see what ingredients they use or how they make their products is lying and is unethical behavior in business competition. Another problem is stealing trade secrets or ingredients for products. Approaching employees of your competitor and offering to pay them to get the list of clients of that company is a form of stealing and unethical behavior in competition. In another example, it is unethical to start a rival business to compete with a former employer by taking copies of private manufacturing processes, company software, or other secrets that add unique value to a business. These kinds of practices are all stealing, but they are examples of stealing knowledge, ideas, processes or secrets from a business, not just money and objects. This knowledge is known as intellectual property. While it might not have the same legal protection as physical property, most people agree that unique ideas and processes in business should be protected and not copied without permission to continue a fair business environment.

Collusion is a way that you might work with your competitors or other businesses in your industry to behave unethically and create an unfair business environment that harms others. One example of how business might collude with competitors is by price fixing, secretly agreeing to fix the price of products or services the same way so customers cannot get lower prices. For instance, if all the shops in the area got together and agreed they would all charge the same price for bananas and no one would give discounts, it would stop business competition. It might seem like a good idea for the companies, but it forces customers to pay more than they would if the businesses were in fair competition because competing business often drop prices on products from time-to-time to bring in customers and business.

Collusion also happens in purchasing supplies and materials. Just like setting a minimum price that all businesses agree to charge for a product, they might also work together to set a maximum price that they will pay

their suppliers for products and materials. They do this to keep their costs down, but the suppliers are unable to operate fairly in this situation and cannot make money like they would if they could price their product based on a free market. The supplier can become trapped and this can cause a lot of damage to business relationships and the business economy.

When businesses collude, they might also try to block new businesses, especially those that do not want to participate in the collusion. They do this by preventing them from working with common suppliers or from operating in certain areas. When competition is blocked, the colluding companies raise their prices. This is bad for customers and the economic situation.

Another example of unethical business is when a company pays bribes to decision makers who give preferential treatment to the company in awarding projects. In certain cases, a company pays an official to get price quotation of other companies to develop a competitive price to beat others in competition. This is unfair to other companies that bid for projects and do not receive fair treatment.

Businesses can gain many advantages from dealing fairly with competitors; avoiding collusion or other unfair practices. All businesses benefit from a free and fair business environment. This allows your business to innovate and create competitive advantage in the market through adding value to products and services that are worth money.

Glossary Terms from this Section

Business environment – All of the internal and external factors that affect how a company functions, including employees, customers, management, supply and demand and business regulations.

Collusion – Secret or illegal cooperation with others (usually business competitors or government offices) that cheats or deceives others (usually customers or other competitors).

Competitive Advantage – Something that puts one company in a better business position or bargaining position than other competing companies.

Free Market – An economic system in which prices are decided by unrestricted competition between privately owned businesses.

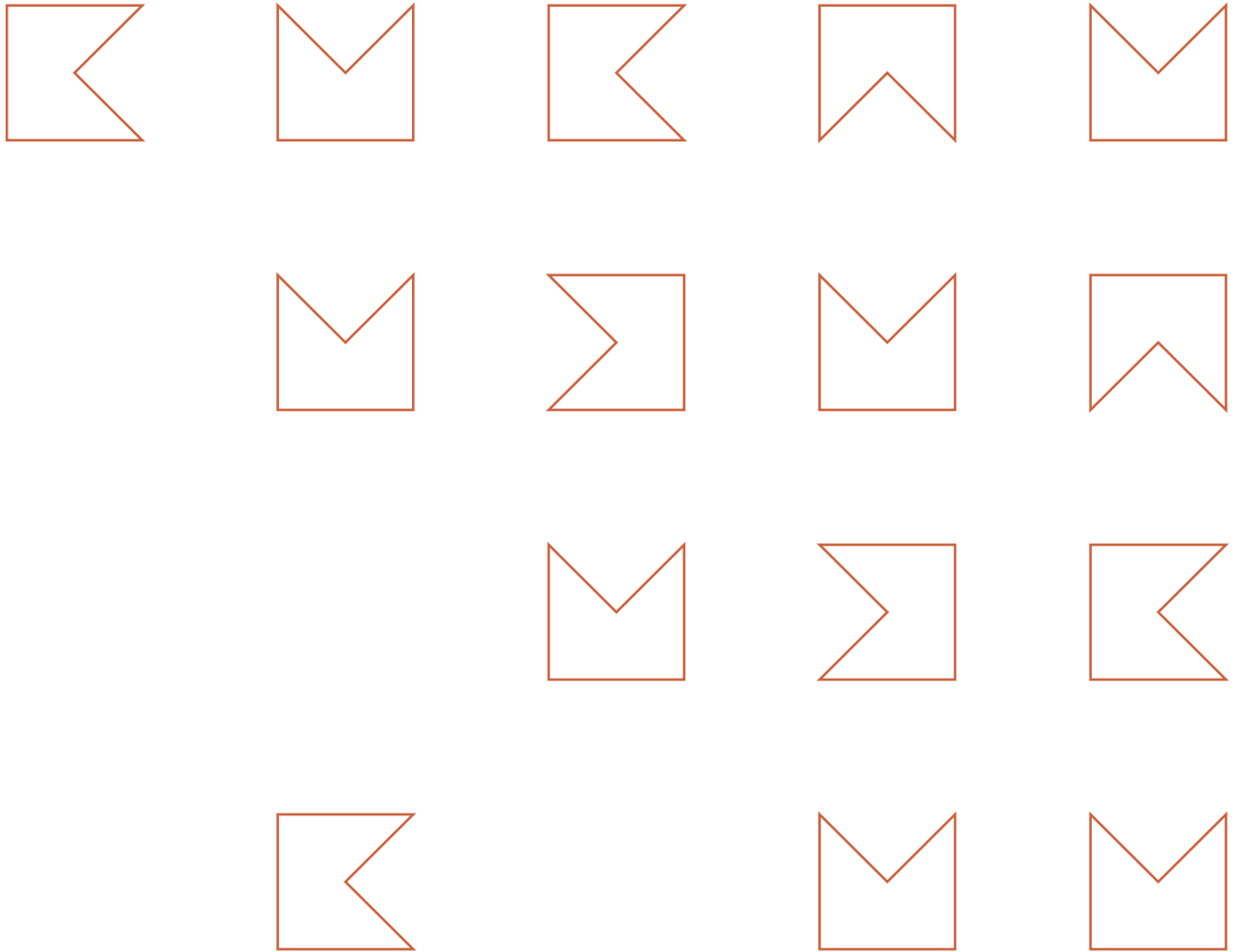
Intellectual Property – Thoughts, ideas or practices that are private to a person or business and protected from the use of others without permission.

Price Fixing – Agreement between a group of people on the same side of a market to buy or sell a good or service at a fixed price.

Trade Secrets – A secret device or technique used by a company in making its products or delivering its services that adds value.

For More Information Related to this Topic See

- What does the security environment have to do with business ethics? *13. Business Ethics*
- What does the economic environment have to do with business ethics? *13. Business Ethics*
- What does the natural environment have to do with business ethics? *13. Business Ethics*
- What is a competitor, and how do I identify who my competitors are? *6. Marketing*



8. Is bluffing in business ethical?

The Basics

There is real value to being honest with others in your business, because truthfulness earns trust. People who trust you will want to cooperate with you and do business with you again and again. However, there are many times when you will not want to share the whole truth, because doing so would put you at a weakness in negotiations or other business deals. To keep your advantage you might decide to make misstatements, exaggerate, minimize, or withhold information. In other words, to preserve your advantage you might engage in bluffing. Smart business people are as truthful as possible in order to build and keep trust, but might bluff if telling the whole truth will put them at a disadvantage. This balancing act raises a question: When does common business bluffing rise to the level of unethical deceit? The answer is that bluffing is only ethical when both parties (you and the person whom you are bluffing) realize that bluffing could occur and have a common understanding of how much bluffing is usual. For instance, you could explain the benefits of the products you're selling beyond the immediate use with the hope to increase its perceived value to your buyer. These understandings are culturally based and depend upon your understanding of how experienced in business the other person is. When you deceive people who do not understand what might be going on, especially if they are fully trusting and the deception has hurt their interests, this is unethical business behavior.

Tell Me More

Truthfulness is widely considered to be an important part of ethics. People value honesty from others as it helps them make fully informed decisions, and it makes them feel that they are being treated with fairness and respect. When you are truthful with people in business you will earn their trust. Trust has important benefits for you, because people who trust you are likely to cooperate with you and to want to do business again with you in the future—perhaps many times. Repeat customers, clients, suppliers and partners create long term value for a business. Honesty is a tool that will help you build relationships and will help you build your business success.

You will find that you will lose important advantage if you are always completely truthful. Consider how in social situations you remain courteous by not telling other people the entire truth. For example, you might overstate slightly in praising someone's handmade food because you want to be polite. In business situations you will sometimes find that it is better not to be completely honest. Sometimes it will be in your advantage to bluff others by telling them something that is not true, or by exaggerating a truth by representing something as being bigger or better than it really is. You might bluff by representing something as being smaller or worse than it really is. You might bluff others by concealing information, including your strengths, resources, weaknesses, or true intentions.

For example, when you are negotiating to buy a large item—perhaps a vehicle—you are wise to conceal what your top offer would be. If you reveal that number too early, the sellers would demand it. Likewise, the sellers are wise to conceal what the lowest amount they would accept would be. If they reveal that number immediately, you as the buyer would demand to buy the vehicle at that lowest price. In negotiation both buyer and seller are bluffing—each party keeps quiet about their preferences, resources, and limits in order to keep an advantage and knows the other person is doing the same.

As another example, you might overstate to your customers how good your product or service is relative to those offered by your competitors. You might try to steer the focus of your customer to the true strengths of your product or service and to the weaknesses of your competitors' offerings. At the same time you minimize the weaknesses of your product or service and also minimize your competitors' strengths.

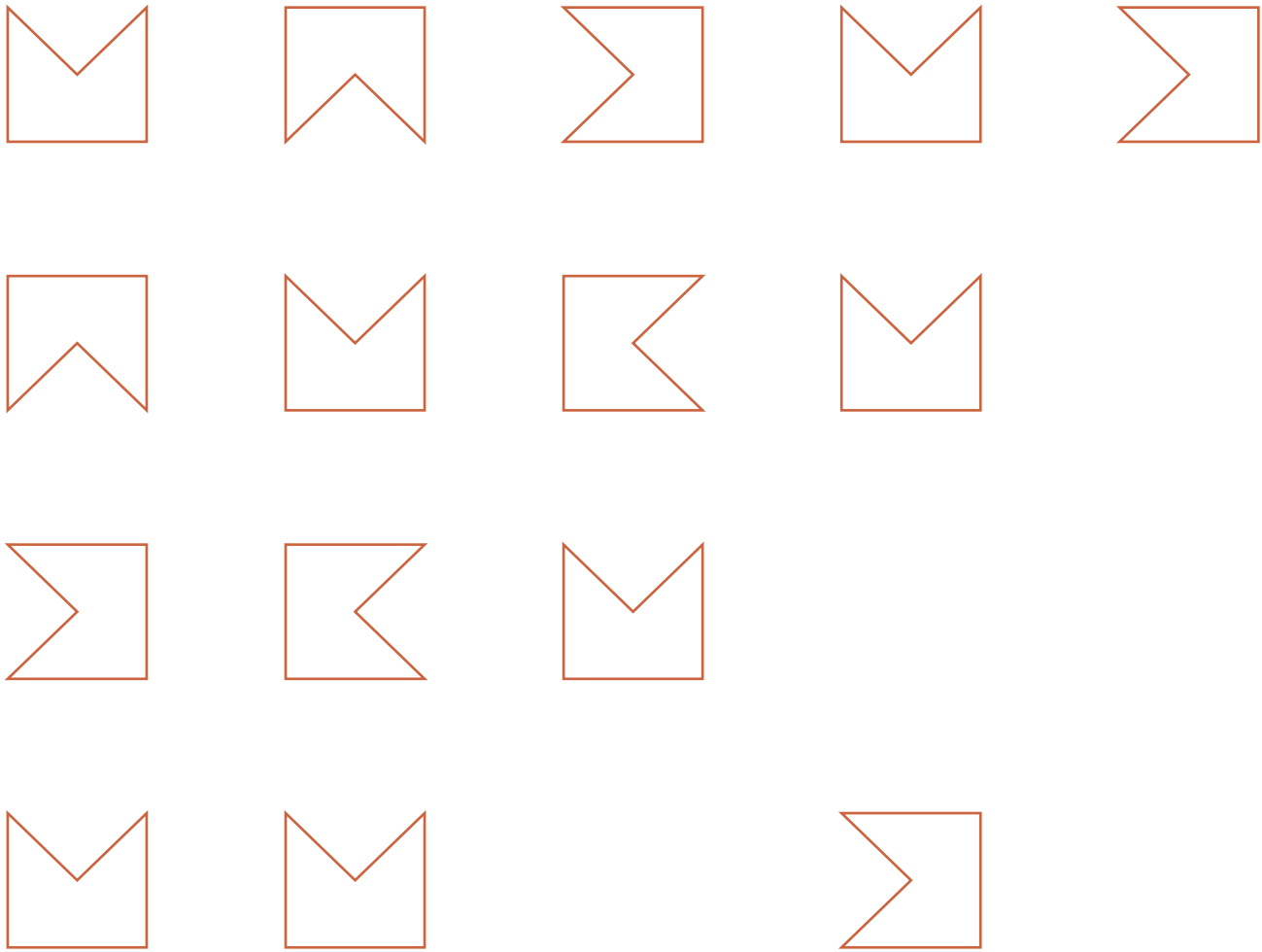
As a business person you must often balance the need to be truthful in order to build trust with others against the need to bluff in order to preserve advantage. And, even though truthfulness is generally considered far more ethical than deception, bluffing within limits can be considered to be ethical business behavior. Bluffing is ethical when it is done according to cultural norms, when both parties know of the possibility of bluffing, and when both parties have a common understanding of what degree of bluffing is usual. Bluffing according to cultural custom means that you stay within the law, and are also aware of when bluffing is fitting and when it is not. For example, when you explain benefits of a computer technology that your company sells in Afghanistan, you might showcase some of the features of your product beyond the common features to convince your buyers that it's worth higher, so you can charge a higher price. When both parties know that bluffing might occur, they are less likely to feel cheated or upset if they discover that they were bluffed. It is up to you to be aware of the cultural expectations of honesty from your business, and also to assess whether the other party is aware that bluffing might occur.

Glossary Terms from this Section

Bluff – An attempt to deceive someone into believing something that is not true.

For More Information Related to this Topic See

- How and why should I treat competitors ethically? 13. *Business Ethics*



9.
**What are common
business practices that are
usually considered to be
unethical?**

The Basics

Some of the most common business practices that result in ethical violations have to do with how people in the business interact with others. Treating other people with respect is a key part to running a successful business. When organizations and their leaders start to prioritize profits over the well-being of people, unethical behavior is often the result. Some of the most common unethical behaviors in business are abusive behavior toward employees; lying to employees, customers, vendors, or the public; favoritism and discrimination between employees; violating safety rules; graft or employee theft; misuse of company resources for personal gain; and misuse of time during work hours. Preventing and stopping these behaviors in the workplace is very important to keeping a good company culture and supporting ethics in the business.

Tell Me More

Every organization needs to watch for common behaviors and practices in business that create bad environments and promote unethical behavior. These behaviors often start out as very small acts or violations of the rules, but if they are ignored and not addressed or punished they can quickly grow into large ethical problems. While most employees try to behave well and follow the rules, if small unethical acts become common, everyone starts to think that it is okay to behave unethically and the problems will grow. What unethical behaviors do you need to watch out for?

Abusive behavior is a problem that many employees face at work. This behavior is most commonly a problem when leaders or managers in a business fail to treat employees with respect. They might insult the employees with words and calling them names. It can also happen when managers create unrealistic goals, then punish employees for not meeting those goals. Employees who are victims of this abuse become upset and lose motivation to work hard and do well for the business. While the managers might think they are motivating employees, they need to be respectful in communication and ensure their expectations are realistic by speaking with employees about the goals they set in advance.

The fastest way to lose the trust of people is to lie to them. Lying about your products can cause customers to lose trust in your business. Lying to employees about working conditions or transactions can cause them harm or to make bad decisions. When employees lie to you, it becomes hard for you to run your company effectively. Honesty in companies should be encouraged and rewarded, even if the truth is sometimes unpleasant. People cannot make good decisions in a company when they do not have honest and accurate information.

Bribery, forging documents (whether for bidding or other purposes), and employees who over report expenses to their employer in an effort to make money can be common practices in Afghan businesses.

Another way unethical behavior occurs in the workplace is when people misuse company time. While an employee needing to call home to check on a sick child during work hours is certainly allowed, it is very different than that employee calling a friend during work hours and ignoring the customers that come into the shop. Other ways people misuse company time is by misreporting the time they work on their timesheet, covering up for someone who is late, or abusing the internet or email by doing personal business during work hours. Many companies have internet and email policies to avoid money and hours lost to employees checking social media and chatting with friends when they should be working.

In addition to watching out for these behaviors in your business, make sure to talk with employees who might do some of these things. By speaking with employees, you can clarify your policies and warn them that these activities are unethical and could hurt the business. If bad behaviors do not stop, you will need to enforce con-

sequences or punishments. Otherwise, they can become common as others start to do the same things, which will have a negative impact on your business, in the long-term. These negative impacts can be especially damaging to long-term customer and vendor relationships.

Glossary Terms from this Section

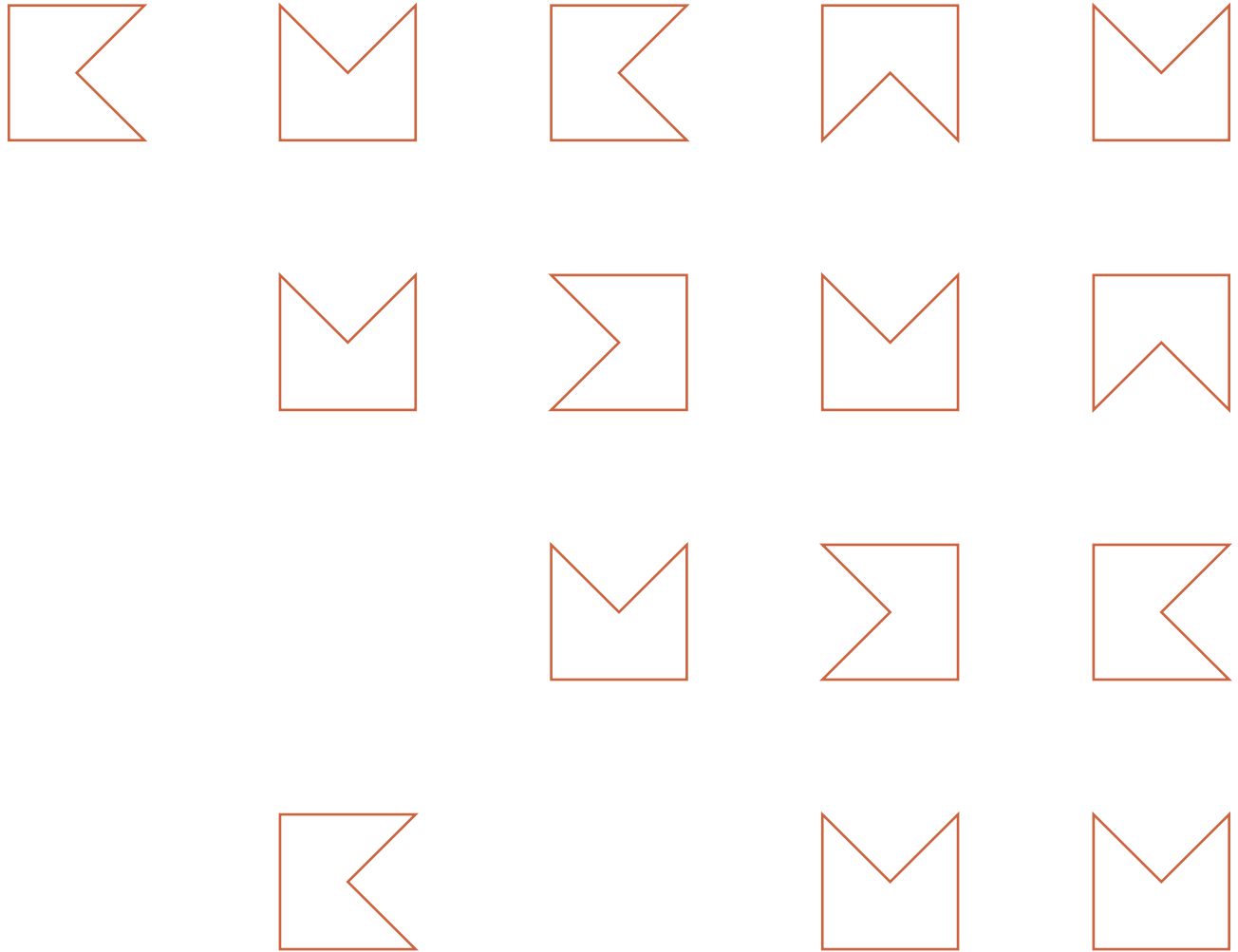
Discrimination – Unfair treatment of someone or of groups of people based on things they cannot control like ethnicity, age, or gender.

Favoritism – Practice of giving unfair preference to one person or group at the expense of others.

Graft - The acquisition of gain (such as money) in dishonest or questionable ways; illegal or unfair gain.

For More Information Related to this Topic See

- What is a code of conduct? How do I create a code of conduct or ethics policy? *13. Business Ethics*
- What do I do if I discover one of my employees has acted unethically? *13. Business Ethics*
- How do I make sure to hire employees ethically? *13. Business Ethics*
- How can unethical behavior affect my business? *13. Business Ethics*



10.

What do I do if I discover one of my employees has acted unethically?

The Basics

If an employee acts unethically, you need to fix the issue and then make sure that it does not happen again. Fixing the damage could include apologizing to your customer, partner or supplier, replacing a defective product, etc. You want to be honest and take responsibility as the leader. You then need to make sure that this does not happen again. Part of what you need to do is find the cause of the unethical behavior and fix it. For instance, if the employee just did not know any better, then extra training may be needed. If the employee does not correct their behavior, punishment up to and including dismissal from their job may be needed. If an employee proves that they will not follow company policy and behave with good ethics, it is better to fire them than to allow bad habits to spread to others. Other things you can do to prevent unethical behavior is to be aware of fair hiring practices, screen for ethical decision making when hiring new employees, and be sure to use your own good example to help you set expectations. In hiring, for example, ensure your human resource team do not recruit individuals based on favoritism. There are cases of hiring based on bribery, which you should be watchful of.

Tell Me More

It is very important that you take steps to protect your business reputation. One wronged customer can do a lot of damage, especially in a small community. Even when the error was not your fault, the employee was acting as your representative. Trying to blame the employee or avoid responsibility makes you seem defensive and will only make matters worse. Be truthful about what happened and explain why it will never happen again.

Take all reasonable actions to fix the issue with the person that has been wronged, which could be a customer, client, supplier, partner, or other employee. If the customer was given an incorrect product or one of your employees lied to them about the quality of what they were sold, giving them a new item or refunding the cost could be possible solutions. Losing a small amount of money on the issue will be better than ruining a business relationship. Customers that know you are an ethical business owner and treat others well could become loyal customers. When customers know you listen to their concerns and try to help fix the problem, people are more likely to trust you and return to do business with you repeatedly.

In order to make sure your company does not get a reputation for unethical behavior, you need to find ways to prevent unethical behavior from happening again. Find what caused the unethical behavior and fix it. For instance if the employee accepts a bribe, this could have many different causes, all of which should be handled differently. Perhaps your company's policy is unclear and the employee did not understand they were not supposed to accept bribes. In that case you need to work on making a clear policy and training all of your employees. A company code of conduct can help make sure that everyone is aware of these rules. Maybe the issue is that your employee did not feel they were getting paid enough for their work. In that case, you may need to review their salaries.

Unfortunately, you may run into a situation where you have an employee that is paid fairly, understands the policy and was well trained. In that case, firing an employee may be the right action. Firing an employee is never the ideal option and is only done after they have been given a chance to correct their behavior. If the employee is not willing to follow company policies and behave ethically, it may be better to fire them rather than allow the bad habits of an employee affect the rest of your company. Other employees who notice and see that unethical behavior does not result in punishment will start to feel that you do not care about their hard work or that the policies you have are not important to follow. When you need to fire an employee for unethical behavior, make sure that the other employees have not learned bad habits by reminding them how important ethics are to your company and help them understand the reason for the employee being fired was due to their lack of ethics. When employees see that breaking ethics policies results in penalties, they will understand how important ethical behavior is, and be motivated to follow the company code of conduct.

If you find yourself having this issue multiple times, it is a signal that you need to change your hiring process to better reject any “bad” applicants. Hiring employees based on purely ethnic or family affiliations without considering merit could result in unethical behavior where the employee feels protected or privileged for having a relation with you or the company’s managers. It is also a signal that you need to devote more time to training new employees about your company’s ethics and code of conduct. Reminding existing employees of your company’s code of conduct and rewarding good behavior as well as making sure that you are setting a good example in your own behavior can be the most important thing you can do to set expectations and prevent employees from acting unethically.

Glossary Terms from this Section

Bribe – A payment or gift given to get someone to do something that they would not otherwise do for you.

Code of Conduct – A formal document or policy that outlines the mission and values of a business, expected rules and behaviors for how employees are supposed to approach problems, and the ethical principles based on the core values of the business.

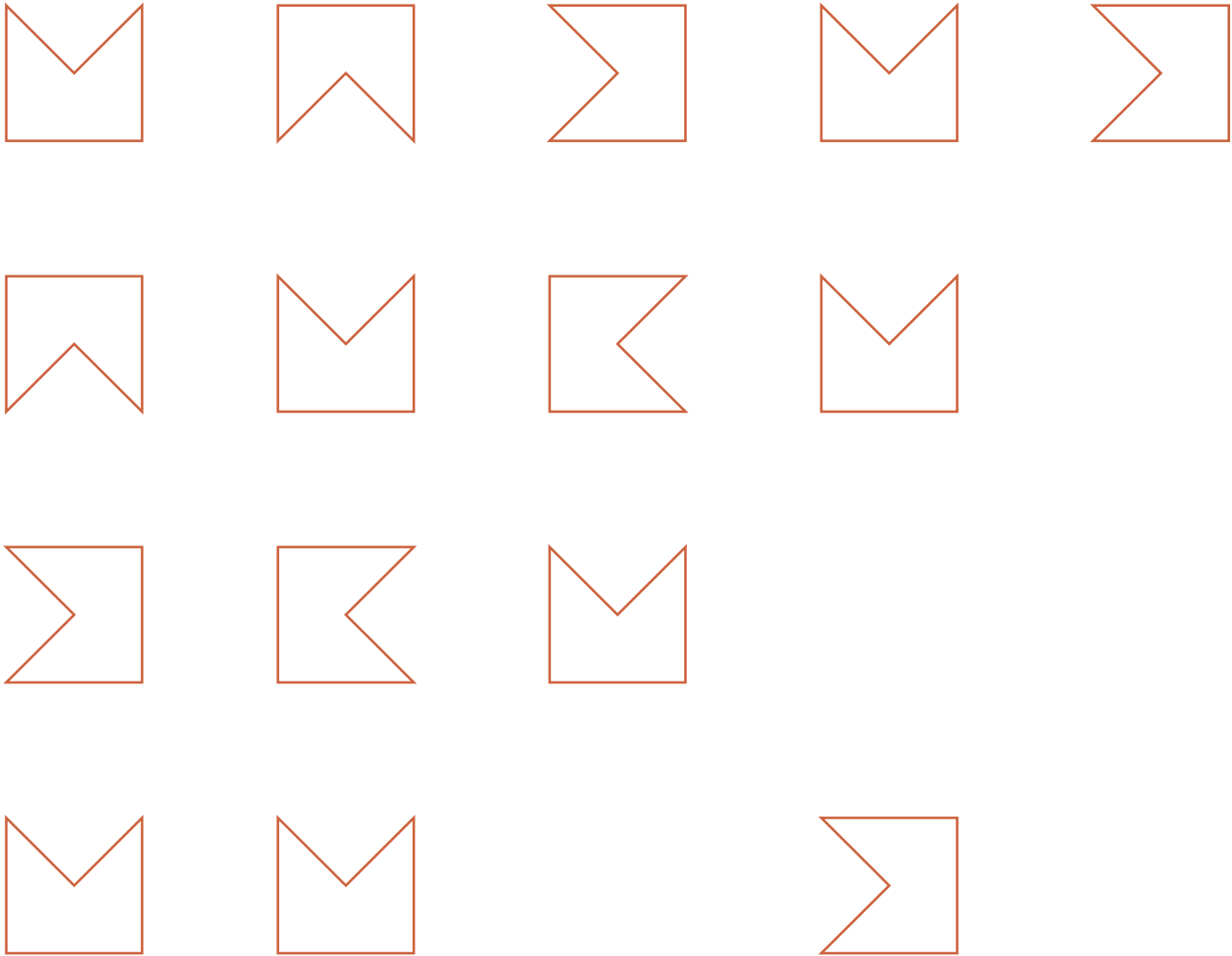
Reputation – Beliefs or opinions about someone.

For More Information Related to this Topic See

- What is a code of conduct? How do I create a code of conduct or ethics policy? *13. Business Ethics*
- Who in my company is responsible for maintaining business ethics? *13. Business Ethics*
- What are common business practices that may be considered unethical? *13. Business Ethics*
- How can unethical behavior affect my business? *13. Business Ethics*
- Do only bad people act unethically? *13. Business Ethics*

Additional Tools Available

Ethical Decision Framework



11.

How do I make sure to hire employees ethically?



The Basics

Hiring employees ethically means that you make sure that your hiring practices are honest, clear, and fair to the people who want to work in your business. By having ethical hiring practices, you will find better candidates and employees to your business. It also helps to open communication so that you can understand the skills and attitudes of the people that you are bringing into your business. Be clear and honest about the job description that you are hiring someone to do. Making sure that you have employees who will work hard and do well in your organization starts with making sure that you find and hire the right people for the job. You must also avoid discriminating against qualified candidates or showing favoritism to candidates who are not as qualified. People who apply for jobs with your company should feel confident that they will have a fair chance at earning a job offer. This will help your business find good workers who will be loyal. Having ethical hiring practices helps you do this.

Tell Me More

The first step in hiring employees ethically is to be honest about the job you are hiring. In advertising or telling people about the job you are hiring for, you must make sure that you clearly explain the duties for the position, the responsibilities that the employee will have, and what skills they will need to do the job. Make sure to think about these things ahead of time so that you can be consistent when talking to people about the job. For example, an employee may quit or be very unhappy if they are told that they will be working with customers, but actually spend most of their time stocking shelves and counting inventory and have little interaction with customers. Job descriptions should be consistent. For example, if you tell one person that they will need to be able to lift heavy boxes to do the job or know how to use Excel spreadsheets, this same expectation needs to be explained to all potential candidates. If a skill or responsibility is not required, but might help someone get the job over other candidates, you can say that it is a “desired” skill, but not required and use that to help make a decision when you have candidates who are similar in other ways.

All job candidates should be considered based on their ability to do the job. It is important to avoid factors that might create bias or cause you to discriminate against a candidate for a reason that is not related to the job you want them to do. To be fair and avoid discrimination in selecting employees, you should avoid giving someone preference based on qualities such as their gender, age, ethnic group, political party, religious or tribal affiliation. Make sure you are aware of any laws that might punish you for showing preference based on these qualities. You should never disqualify candidates based on these things. Afghanistan’s labor law regulates recruitment of staff and provides provisions for equal opportunity, fair pay, pensions, etc.

Another practice to avoid in ethical hiring is showing strong preference for relatives or friends over people who are better qualified to the job. This can also be an issue when thinking about promoting people or giving a raise. Employees should be hired and rewarded based on their abilities and quality of work rather than a family connection. While it might be good to want to give your sister’s son a job, it is important that he is able to do the job. Qualifications should be the most important factor when deciding who to hire. Otherwise, your good intentions to help a friend or family member by giving them a job can harm your business.

When you hire or promote people in your business, it is important to be fair. Employees and strong candidates for jobs have less motivation to apply or work hard if they see only family and friends getting jobs or being promoted in your business. As an example in one business, an accountant had a young and inexperienced girl hired to work with her sorting receipts and making entries for a company. The accountant worked hard to help train and educate the girl. After a year, the girl was promoted to become the accountant’s boss because she was the owner’s niece. This upset the accountant who was much more qualified and the accountant quit the

job. Since the niece was not truly promoted based on her qualifications and skills, the business got into trouble with tax audit from the government and because of a long delay in properly reporting taxes, the business had to pay thousands of Afghanis in penalties.

Glossary Terms from this Section

Discrimination – Unfair treatment of someone or of groups of people based on things they cannot control like ethnicity, age, or gender.

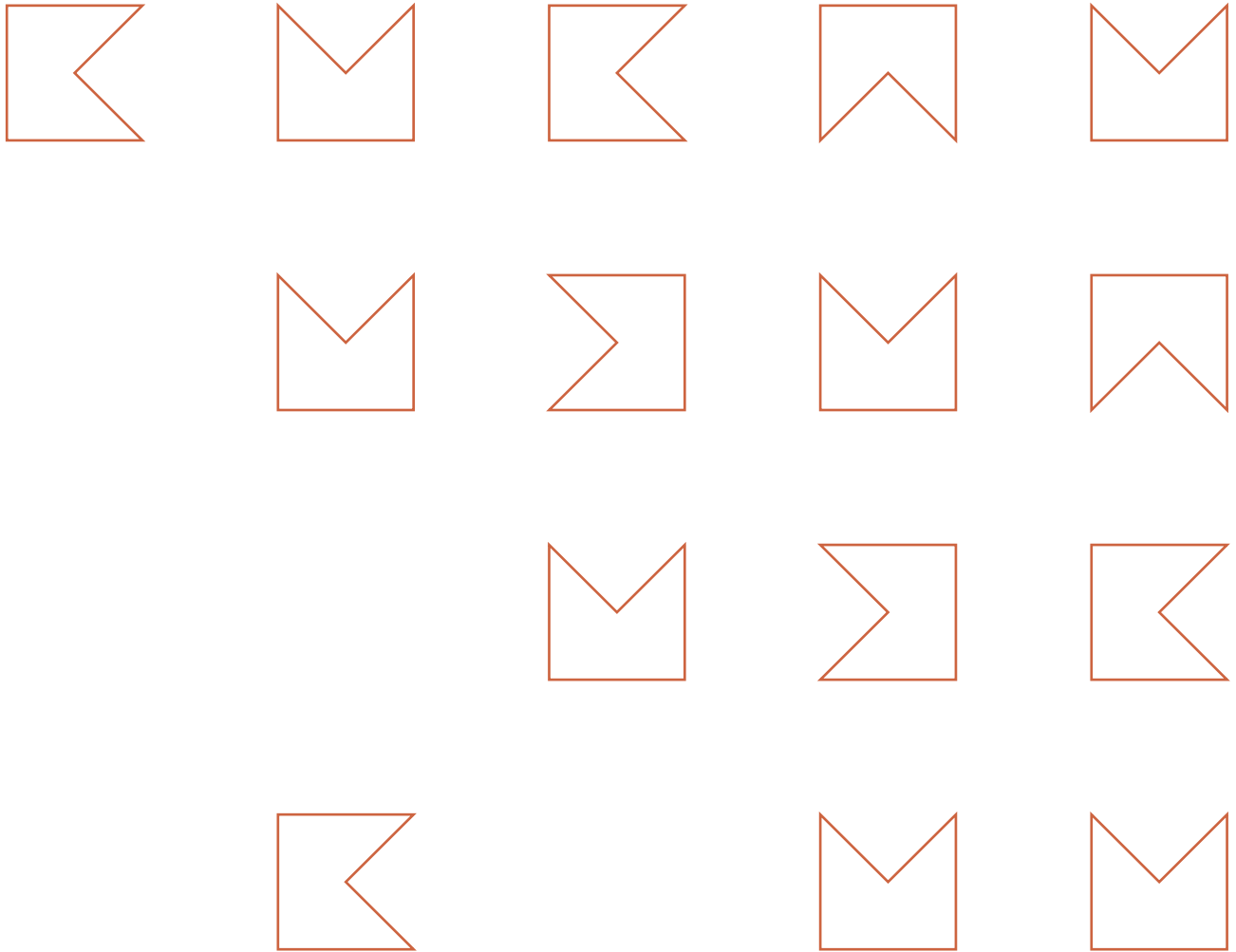
Favoritism – Practice of giving unfair preference to one person or group at the expense of others.

For More Information Related to this Topic See

- What are common business practices that may be considered unethical? *13. Business Ethics*
- Do only bad people act unethically? *13. Business Ethics*
- What is a code of conduct? How do I create a code of conduct or ethics policy? *13. Business Ethics*
- What are the human resources challenges when growing my business? *14. Growth and Expiation*
- How do I write an effective job description? *8. Human Resources*
- What is the best way to find and recruit new people to my business? *8. Human Resources*

Additional Tools Available

Ethical Decision Framework



12.

Regarding minimum wage in Afghanistan, is it ethical to pay employees more or less?

The Basics

The minimum wage is the lowest amount that you may legally pay your workers. The purpose of minimum wage laws are to prevent employers from abusing workers who do not have power to argue about their pay. Almost every nation has minimum wage laws in some form. In Afghanistan there is no exact minimum wage for private sector workers, but employers are required by law to pay workers no less than government workers, and government workers do have a minimum wage of 5,000 AFN per month. There is no minimum wage protection in Afghanistan for day workers. Ethical business people will always pay their workers as the law requires. Even going beyond the law, many ethical business people will attempt to be fair in determining wages, and will attempt to pay sustainable wages, which might mean more than what the law requires them to pay, if the company can afford to do so. Employees should be paid based on how much they contribute to the business. A sustainable wage is a wage that allows workers to meet basic needs, to save some money for future needs, and to earn enough money to put some aside for long term dreams.

Tell Me More

Most countries have laws telling employers the lowest amount they are allowed to pay their workers. These minimum wage laws are meant to protect workers who have little power to negotiate their pay from being abused by the business they work for. The belief is that without such laws, the lowest wages would sometimes drop so low that some workers and their families would forever be trapped in poverty, unable to meet their most basic needs.

Ethical business people will pay at least the legally required minimum wage, but they might pay more based on three factors. The first is the level of wages that are needed to find and keep good workers. This will vary from place to place, and from year to year, depending upon how many people are looking for work, and how many jobs are available. When workers are few and jobs are many, employers will have to pay more than the minimum wage to find the few available workers. When there are many workers and few jobs, employers can pay the minimum wage or closer to it and still find and keep good workers.

Fairness is the second factor that ethical business people make in deciding whether to pay more than the minimum wage. The work of each employee is adding some value to the business, and fairness requires that the employer count that value when deciding the employee's wages. It would be fair for employees to be paid higher wages if they are doing a valuable job that needs special skill. Ethical employers will strive for fair wages even for lower level employees who have very little power.

The third factor that ethical business people make in deciding whether to pay more than the minimum wage is the employees' ability to provide for themselves and their families. A living wage allows employees to provide shelter and food for themselves and their families. A sustainable wage allows workers to meet basic needs, and to save some money for future needs and dreams.

Sometimes the legally-required minimum wage is not a sustainable wage for employees, and may not even be a living wage. Depending upon the cost of living where the business is located, workers could earn the minimum wage and still not be able to feed themselves and their families. Consequently, the ethical business person will try to be aware of the local cost of living and the economic pressures on workers to provide for their families. The ethical business person will pay the legally required minimum wage, and will strive when possible to pay a living wage and a sustainable wage.

Glossary Terms from this Section

Cost of Living – Average cost of the basic necessities of life, including food, shelter, and clothing.

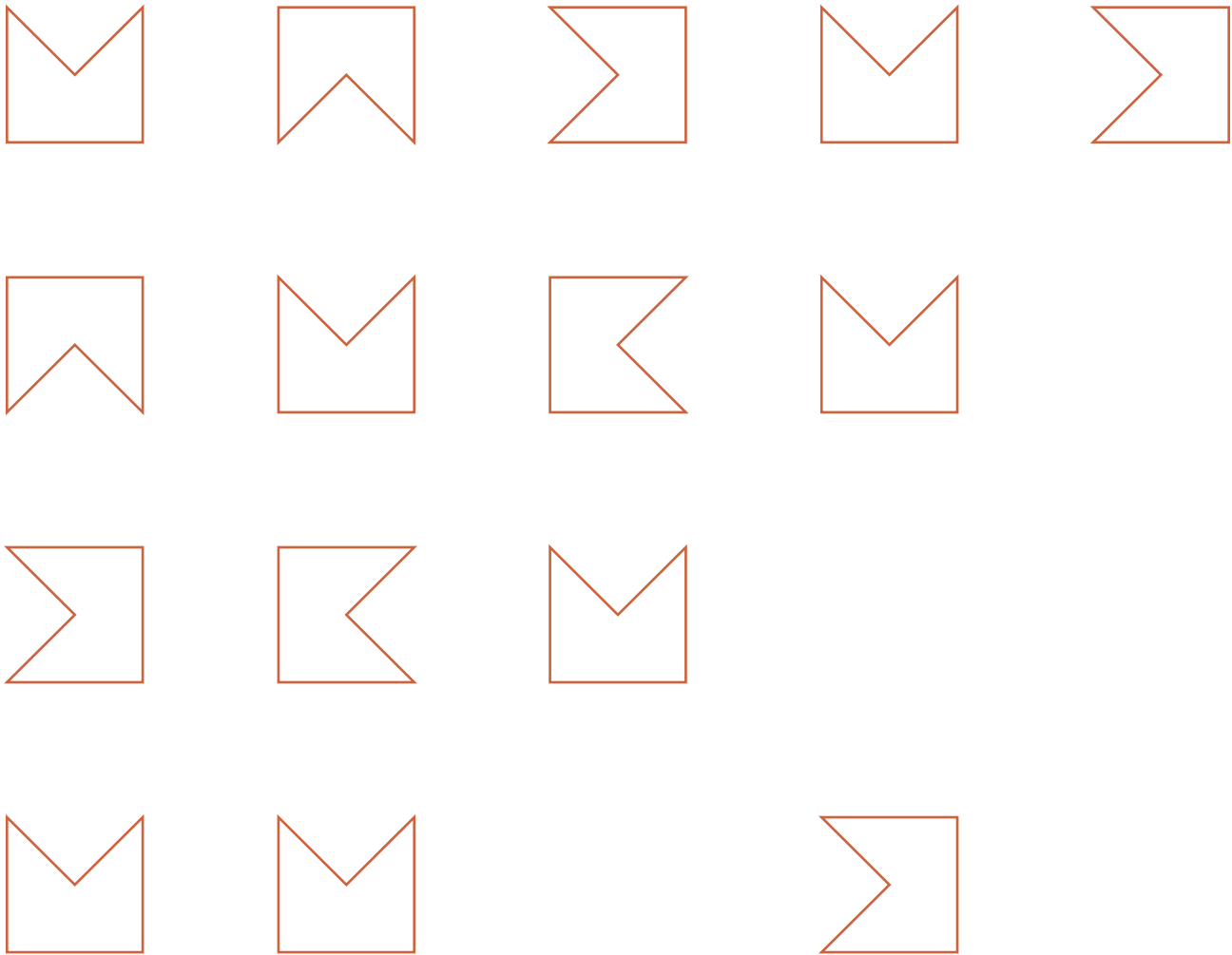
Living wage - The minimum income necessary for a worker to meet basic food and shelter needs for themselves and their family.

Minimum Wage – The lowest amount that someone can be paid for a job, according to the law.

Sustainable Wage – The minimum income necessary for a worker to meet basic needs for themselves and their family: food, shelter, clothing, medicine, and necessary transportation to do their job well.

For More Information Related to this Topic See

- I'm following all the laws. Isn't that the same as acting ethically? 13. *Business Ethics*
- What does the economic environment have to do with business ethics? 13. *Business Ethics*
- How do I keep good employees in my business to stay motivated, interested and happy? 8. *Human Resources*



13.

How do I respond to bribery or corruption?

The Basics

Bribes are payments or gifts that are given with the purpose to get someone to do something or gain favors that you otherwise would not get. These are different from fees and other types of payments because they lack transparency and documentation or receipts. The best way to respond to demands for bribes is to understand what the rules are surrounding corruption and bribes. Once you know the laws, you will be able to understand when someone is trying to take advantage of you for their own benefit. If someone demands a payment or favor that is not normal, knowing the law can help you respond to their request. For example, you can tell them that while you appreciate their help in registering your business, you do not want yourself or them to be in trouble for violating the law or put the business at risk. You might choose to keep printed copies of relevant laws in your business, so that someone demanding a bribe or other favor can be shown the law— this might help to resolve the situation calmly.

Tell Me More

Sometimes it is hard to understand the difference between a gift and a bribe. A gift is something that is given without expecting any special favors or treatment in return. A bribe is given with the hope that it will influence a person to give special treatment or favors in return. This is important when you are working with government officials. In order to avoid the risk of being accused of bribery, you should make sure that you know government regulations on gifts.

People working in public positions or government might think that they have a right to special gifts and treatment because of their position, which they do not. People in positions of power who register, inspect, or enforce laws and rules for businesses might ask for gifts or favors from you or your business. An option other than giving a bribe might be to write them a letter expressing thanks for their work that they can show to superiors as evidence of doing a good job, which might benefit them in their career. In addition, giving praise in front of their peers and/or superiors can be effective.

Even if paying bribes seems common, participating in corruption can have negative impacts on your business. First, paying bribes actually increases the cost of doing business. The money you pay in bribes is money that your business loses and could otherwise be spent on new equipment for employees, supplies, or your own income. While bribes might seem to be small costs at first, if you start paying bribes, you will be expected to continue paying, especially if they are demanded by officials you see often like local police or inspectors. If they know you will pay, they may continue to pressure you any time they want more money. Participating in corruption and paying bribes works like an additional fee on your business that is hard to predict and account for in your company budget. Though bribes may seem worth the cost at first, they can have a bad long term cost to the company.

Second, paying bribes is risky. Bribes paid to influence behavior can sometimes be noticed by others. It is important to protect your business and make sure that you do not put you or your business at risk by paying bribes. You could get into trouble, get fined, get a bad reputation, or have your business shut down for corruption. Many people do not want to do business with people and organizations who do things that make the business environment unfair for others. This is very important if you hope to work with people or organizations that follow international rules and best practices regarding gifts and bribery.

Finally, people who study corruption have found that corruption and bribes have an impact on the business and the larger economy. In addition to increasing business costs for a company, paying bribes is linked with lower sales and productivity of employees. Businesses that do not pay bribes tend to be more efficient and

have lower costs. They are also stronger because they have followed proper processes to keep their business, in spite of the challenges of doing so. For example, if you pay bribes to a taxation inspector/auditor to ignore your tax problems, you might not have to pay for a short time but owing the government taxes or non-genuine reporting can be dangerous for your business even if an auditor ignores irregularities for a time. A possible future inspection might shut down a company forever.

While giving in to corruption and bribery practices might seem common, it is important to remember that many people try to avoid such practices because of the risk and costs. Talking with others about how they deal with such issues and having a good understanding of the rules and laws so that you can respond to such demands is important to setting the tone and expectations of ethics for your business while keeping you away from the risks of participating in corruption.

Glossary Terms from this Section

Bribes – Payments or gifts given to get someone to do something that they would not otherwise do for you.

Corruption – Dishonest behavior by people in positions of power to gain personal advantage.

Reputation – Beliefs or opinions about someone.

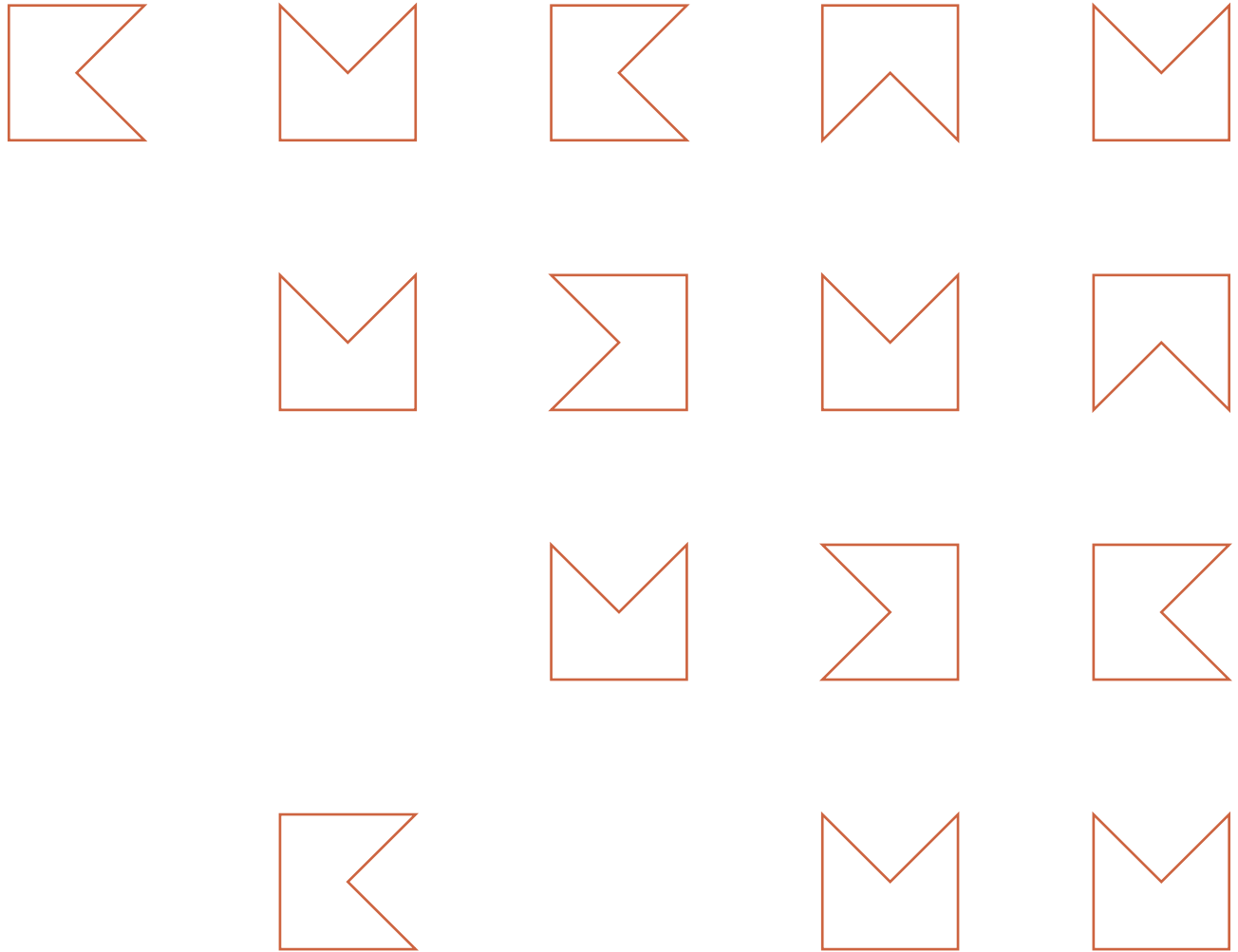
Transparency – Lack of hidden plans and conditions, along with the availability of full information needed for cooperation and communication.

For More Information Related to this Topic See

- What does the economic environment have to do with business ethics? *13. Business Ethics*
- Is it ethical to give or accept gifts in business? *13. Business Ethics*
- Why is ethics necessary for success? *13. Business Ethics*
- What is a code of conduct? How do I create a code of conduct or ethics policy? *13. Business Ethics*

Additional Tools Available

Afghan Government Regulations on Bribery and Corruption



14. **Is it ethical to give and accept gifts in business?**

The Basics

The best rule to follow is to make sure that all gifts are small, proper to occasion and are not meant to influence someone to give you special favors in return. Good gifts to give might be creative or connect back to your business. Examples of fitting gifts might be pens, notebooks, Shaals, scarves, candy or sweets, or samples of what your company makes or does. Small meals or refreshments are also allowed and often considered common courtesy, such as offering tea to a guest. You should set your own policy about what seems right in your business and then make sure everyone in the business is aware of the policy. As a guideline, the value of gifts in business should not be more than 1,000 Afghani to meet international laws and to make sure that it does not seem you are trying bribe others. You should remain cautious of local legal guidelines and ensure the gift does not materially benefit the person.

Tell Me More

Gifts are often a common part of doing business and building relationships with potential partners and clients. It can be hard to decide if the gift is proper or might be misunderstood. To determine if a gift is proper you should think about three things: the size of the gift, the nature of the gift and the purpose of the gift. Thinking about these three things can help you decide if the gift is right for a business relationship and the specific occasion.

The size of the gift is the first factor. Small gifts that are not expensive are typically fine. Small gifts with your business's name or logo can help make your business memorable and promote your organization. These are widely accepted and appreciated as recognitions of goodwill and relationship building. Many businesses have notepads, pens, or small bags of candies or treats with the business' name or logo on them that they give to business partners, suppliers, or clients. Small product samples or discounts of your service are also often good gifts, and effective marketing aids, clearly intent on attracting a business relationship. Typically, small gifts like this are not expensive, but can be reminders of your desire to create a business relationship. Big expensive gifts can be misunderstood and create feelings of debt that can make problems for your business if it seems you are trying to bribe or influence someone.

The nature of the gift is the second point to think about. When thinking about the nature of the gift, you want to consider if the type of gift is right for the occasion. Some gifts are customary or common in an industry or around a holiday or event. For example, if you visit someone's home during Eid, you might consider bringing them sweets or dates as a gift. This gift is small and would fit with the occasion you are celebrating together. If you bring a diamond necklace or the keys to a car, it would clearly be meant to influence the person and would not be proper. To decide if the nature of the gift makes it fitting, you want to think about if the gift is common to the occasion and if it were something you would usually exchange with a friend. Anything more would be thought of as improper.

Third, it is important to think about the purpose of the gift. Gifts that are traditional or customary exchanges during holidays and events are often okay when not meant to create an obligation to return the favor for your business. For example, Eid money you normally give to the children of your relatives during Eids days is acceptable when the amount is small such as 50-100 AFNs. Or when a new guest arrives you take flowers to welcome them, these are acceptable gifts. They should not be meant to effect a future decision or have that appearance to other people. Another way to think about is to ask yourself if you would be comfortable telling people about the gift. If you or the recipient can easily explain the gift to others without damaging anyone's reputation, the gift is suitable. For example, Maliha products home-made jam. She brought Zakira, who was working in a licensing unit, a sample of her new peach jam, with her company's logo on the front for Eid. This

is a gift and not a bribe, while also promoting her business. Sometimes gifts are not proper or someone might not be able to accept a gift that you would like to offer them. Government officials are often held to stricter standards and gifts are more likely to be seen as bribes than gifts to clients or business partners. In international organizations, employees are typically not allowed to accept gifts that would be worth over \$20 USD and some foreigners or government officials might not be allowed to accept gifts at all, due to their rules or laws. If you offer a gift and someone declines or is not able to accept, it might be because they are not allowed to accept gifts of any amount, though the offer might be appreciated. They do not want to put you or themselves at risk of being in trouble. Do not take it as a rude gesture, but instead understand why they may not be able to accept the gift, and learn from that experience.

Glossary Terms from this Section

Bribe - A payment or gift given to get someone to do something that they would not otherwise do for you.

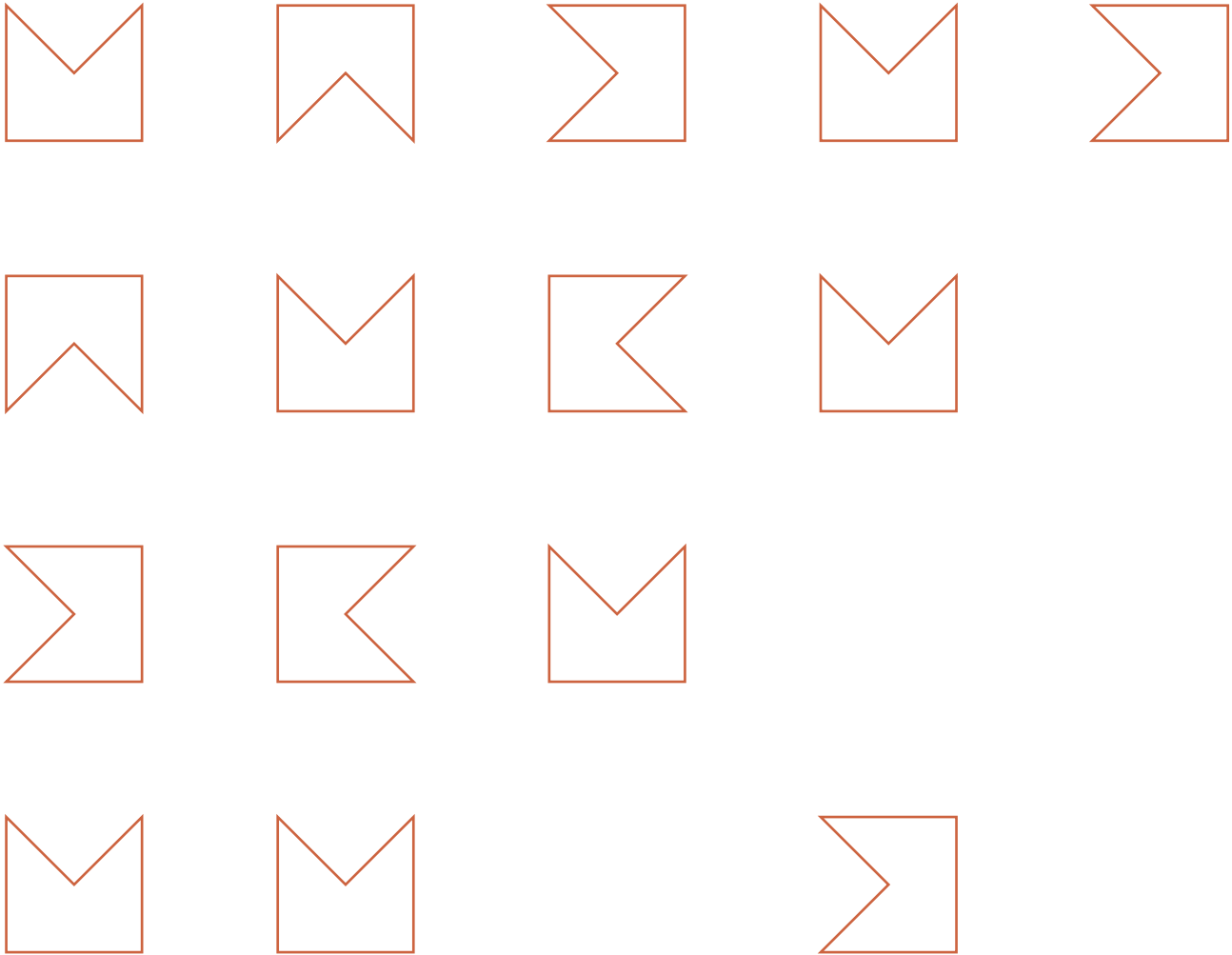
Reputation – Beliefs or opinions about someone.

For More Information Related to this Topic See

- Why is ethics necessary for success? *13. Business Ethics*
- What is a code of conduct? How do I create a code of conduct or ethics policy? *13. Business Ethics*
- How do I respond to bribery/corruption? *13. Business Ethics*
- Is it a good idea to ever offer any of my products or services for “free”? *9. Pricing*

Additional Tools Available

Afghan Government Regulations on Bribery and Corruption



15.

What does the natural environment have to do with business ethics?



The Basics

Many companies are now trying to have business practices that are good for the natural environment. This is called sustainability or environmental practices. Not only is this the “right” thing to do, but many businesses have seen financial benefits. Every business needs the world to continue to supply water, air, and food, as well as many other raw materials needed for making goods in the economy. If the environment is harmed too much by pollution or overuse, these natural resources that are needed for life and for business (timber for construction for example) will not be available. A lack of natural resources can hurt businesses and the economy, because businesses cannot find what they need to make products or have to import it at great cost, or there might not be access to clean water and good food for their employees to stay healthy so that they can work. The reducing level of clean water and the constant contamination of water sources in Kabul is a major issue that affects both individuals and institutions. For some customers or other companies that you do business with, this is important when deciding which company to give their business to. Operating sustainably is good for the community around your business by minimizing polluting and keeping a safe workplace which adds to the health of the community. By operating with the environment in mind, your business will not be found responsible for having to clean up messes, or for having polluted the water or air in the community. Many companies have found financial savings and even additional revenue through environmental practices.

Tell Me More

There are three major benefits to environmental practices: ethical benefits, competitive advantage, and cost savings. Ethical benefits mainly come from something being the “right” thing to do. This may make you feel better about owning your company and the legacy you are creating. It can also help you hire and keep employees that value ethical companies. Your business maximizes the benefit it can be to the community when it follows environmental practices, and creates a healthier place for your employees to work.

Competitive advantage comes from people that prefer working with companies that are good for the environment. This is very important if you will be doing business with international companies. Many international companies have policies that require that they purchase goods from companies with environmental practices. Others may just favor it. Being sustainable sets your business apart from competitors, especially if few other companies in your area are paying attention to the environment.

The most important benefit is cost savings. One of the best ways to reduce costs is to reduce waste. Waste may be able to be repurposed, recycled, or sold to other businesses. If you own a restaurant, one large expense is probably food waste. You can reduce food waste by purchasing smaller amounts of food or repurposing items like herb stems for other dishes. Not only is this better for the environment, but you will save money. In the restaurant example, you could also give food away at the end of the day that would have spoiled. This may save you the costs of throwing it away. If not, it will help gain you a good reputation in the community. Purchasing local saves transportation costs (and the resulting pollution), allows you to buy in smaller batches to minimize waste, and also puts money into your local economy.

Look at what your company is spending a lot of money on. Is your company spending money on raw materials? If so, you might want to look into using recycled or local materials. If you have a lot of waste, you could look at less wasteful production methods, ways to recycle or repurpose waste, or other disposal methods to cut down costs. Energy conservation can save money on electricity and heating or cooling costs, as well as possible fuel costs (for generators). There are other sustainable practices that may cost more at the beginning (investing in solar panels or appliances that use less energy) but will save you money over the long term. You will need to do the math and decide if these are right for you.

Part of being ethical and sustainable is minimizing the harm you are doing to the environment. For instance, making sure that waste is disposed of properly and not contaminating local drinking water is both ethical and sustainable. It also ensures that you and your company will have access to safe water in the future. Your need to spread the word and encourage other businesses to do the same. Another example would be minimizing the use of harsh chemicals. Not only is this better for the environment, but it is safer for your employees. Another ethical behavior is to keep the environment clean by avoiding disposal of office trash on the sides of the streets.

Glossary Terms from this Section

Competitive Advantage - Something that puts one company in a better business position or bargaining position than other competing companies.

Natural Resources - Materials or substances such as minerals, forests, water, and fertile land that occur in nature and can be used for economic gain.

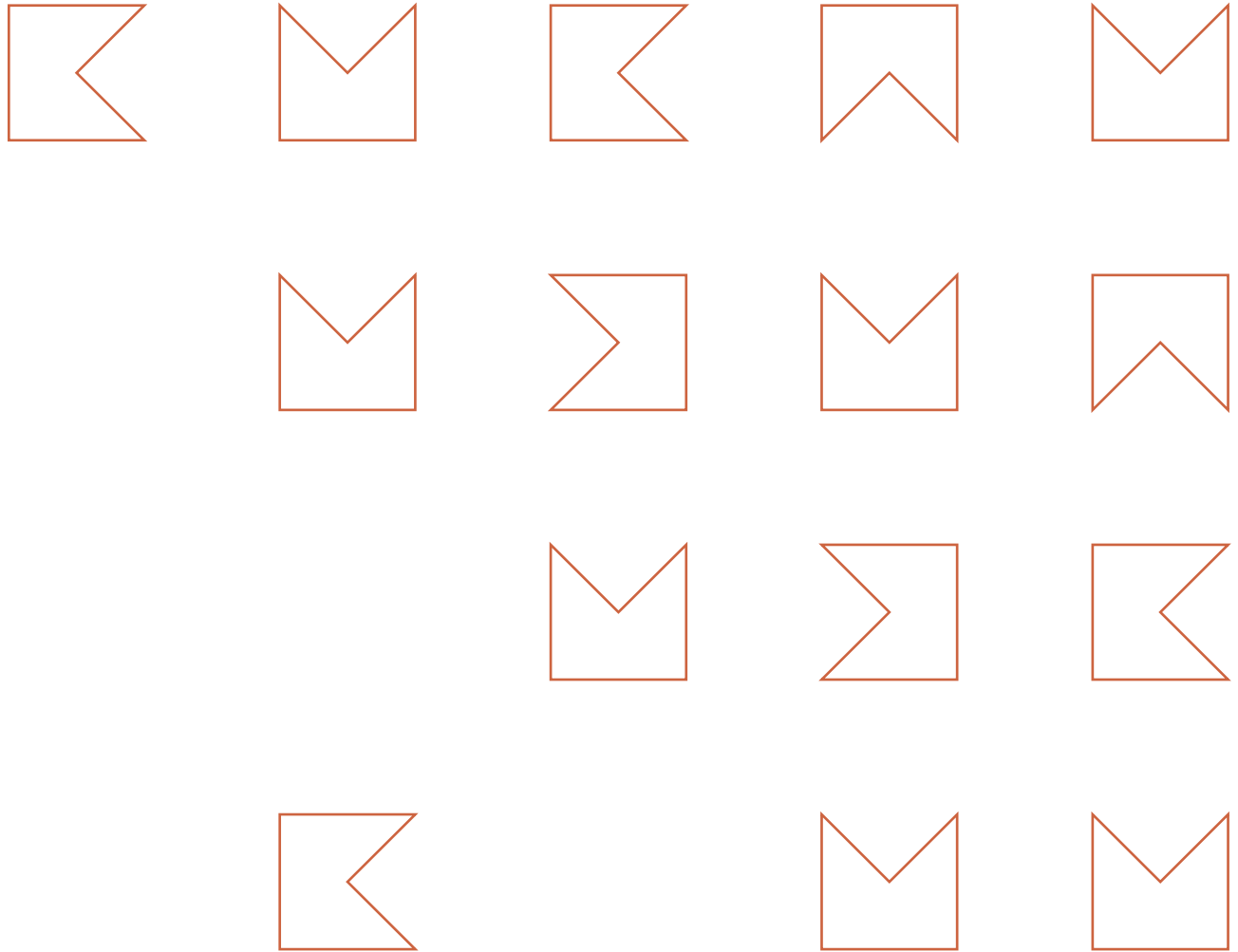
Polluting - To contaminate (water, air, or a place) with harmful or poisonous substances.

Raw Materials - The basic material from which a product is made.

Sustainability/Environmental Practices - Meeting the needs of the present without negatively affecting the ability to meet needs in the future.

For More Information Related to this Topic See

- What is social responsibility for business, and why is it needed? *13. Business Ethics*
- Why is ethics necessary for success? *13. Business Ethics*
- What is “cause marketing” and why should I care about it? *6. Marketing*



16.
What does the security environment have to do with business ethics?

The Basics

One of your highest priorities is that of your safety and the safety of your employees and customers. With that in mind, there are two aspects of safety to consider: information security and personal security. Information security refers to keeping your business files and information safe. This would include both computer and paper files including financial information about your business and personal information about you and your employees. All of this information is valuable to a business and needs to be protected. Only trusted and trained employees should have access to information that is private. Personal security refers to keeping yourself, your employees and customers physically safe. You must be sure that you know who each employee is, and that they can be trusted both to do their job and to not put the business or other employees at risk. Your business location also needs to be as safe as possible. This is especially important in places such as Afghanistan where internal security problems are common.

Tell Me More

As a business owner, you need to ensure the safety of your employees and customers. This includes both information security and personal security. Good information security practices include keeping both computers and paper files secure. Good personal security practices include knowing who your employees are, and ensuring your work environment and business locations are safe places for employees and customers.

All companies keep records. These may include financial and tax records, employee or customer information, and legal documents. If these records are taken by the wrong people, they can cause serious harm to your business and employees. People may use these documents to steal from your company, steal your employees' identities, threaten your employees or customers, or share your trade secrets with your competitors. In order to prevent this you should have an information security policy and train your employees. You should also have proper computer and file management systems in place to help keep your data safe. For example, your computers should have passwords and only the appropriate person responsible should know the password. Your payroll system must be secure so employees' salaries are not visible which could harm your work environment and relationships among employees.

Regardless of whether you keep these documents in paper form or on a computer, you need to make sure that others cannot access them. Paper documents should be kept locked in a drawer or cabinet when not needed. Only trained and trusted employees should handle sensitive information like job applications and personnel files, financial documents, and any product, manufacturing, recipe or trade secrets that are important for your business. If your company uses computers, your employees should be trained on their safe use. All computers should lock automatically when not in use. All employees should have their own passwords and log out when done working. They should not write these passwords down or share them with others. This allows you to know who is working on specific documents and makes sure that people are not disturbing with the work and files of others. For work that needs multiple people to work on the same document, using programs like Google Docs, Dropbox, or Slack allows many people to share files without having to share secure passwords or information. Personal security is also very important, particularly in unpredictable security environments such as Afghanistan. When hiring, references and background checks are going to be very important. You should verify the identity of your new hires and keep a personnel file for each staff. Always be cautious of hiring people you do not trust or cannot verify their background. Maintain emergency contacts for your staff where possible to avoid future security issues.

You also need to make sure that your workplace is safe. This may include making sure that your building is built well enough to sustain minor earthquakes or has easy ways for people to leave in case of a fire or other

emergency. It can also mean you might consider hiring security during work hours and installing a video security system if you know of risks or violence in the area. You may ask for security advice from experts or even friends with security experience. When scheduling your workers, make sure that they can travel to and from work safely.

Security is important to a business for multiple reasons. As a business owner the safety of your employees and customers are your responsibility. Not only is it your ethical duty to protect your employees and customers, but failure to maintain their security could have legal penalties and negatively affect your profits. If employees cannot come to work safely, they will not keep working for you. If customers or clients cannot ensure their safety doing business, they will find somewhere else to spend their money.

Glossary Terms from this Section

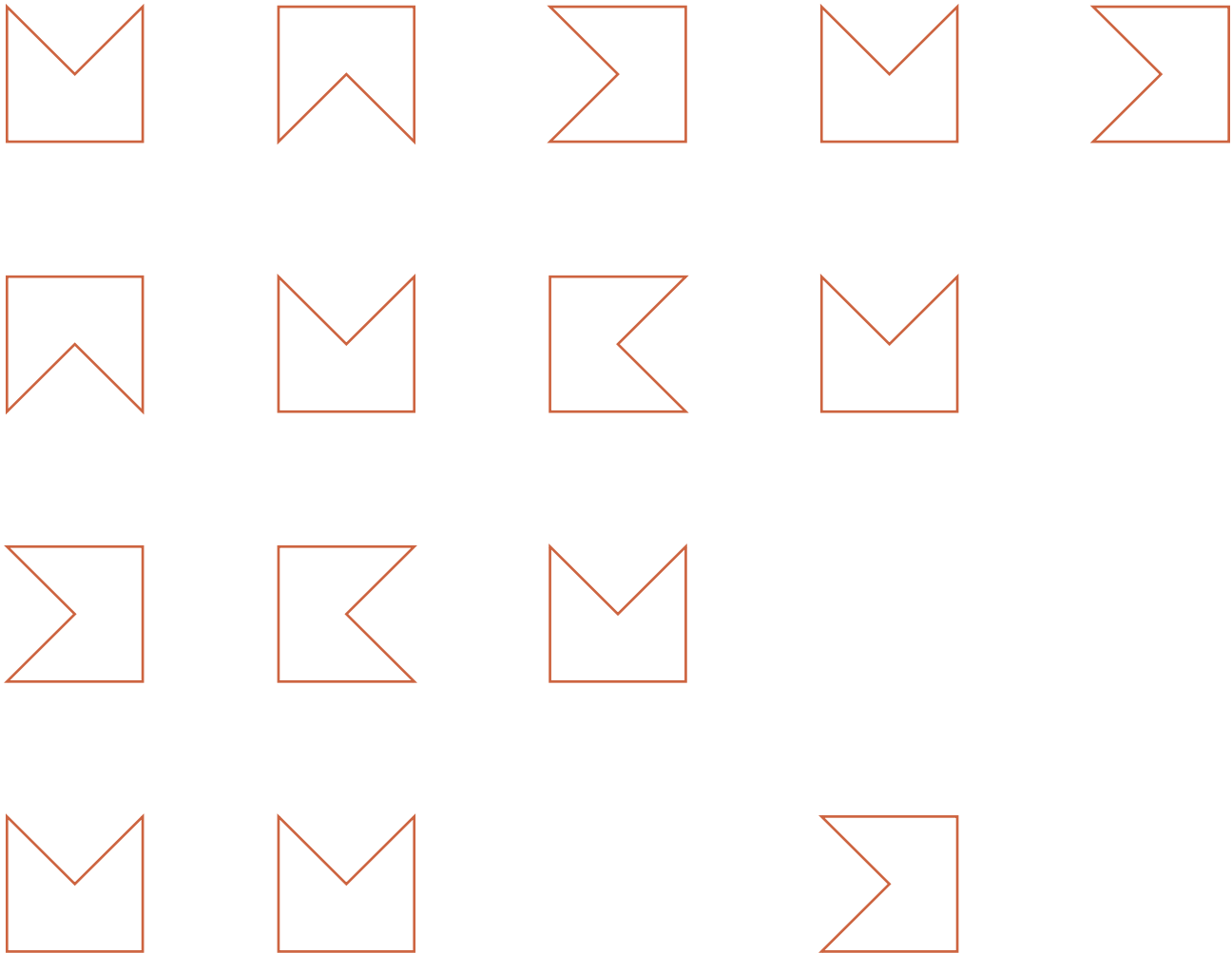
Information Security – Protection of company-related information in paper (files) and digital (computers and technology) form.

Personal Security – Protection of people from physical harm or danger.

Trade Secrets – A secret device or technique used by a company in making its products or delivering its services that adds value.

For More Information Related to this Topic See

- What is a code of conduct? How do I create a code of conduct or ethics policy? *13. Business Ethics*



17.

What does the economic environment have to do with business ethics?

The Basics

The economic environment of business refers to the external circumstances that influence your ability to do business and may include how your business affects the community. It is important to understand your business as a part of the community and consider your business's role. The business environment can include the rules, laws, and codes your business must follow, taxes your company and employees pay, how easy it is to start a business or get access to funding, and how your business benefits people in the community. A strong economic environment makes it easier for people to build businesses that follow the rules and laws, as well as promoting ways for business owners to treat employees and customers ethically.

Tell Me More

The health of the economic environment directly affects the financial stability of your company and your ability to do business ethically. Even though the economic environment includes things that are put in place by the government, banks or industry groups, these external factors affect how companies make decisions, including decisions involving ethics.

When you start a business, you must pay attention to the business environment in order to make sure that you are following the rules, laws, and codes required of businesses in your area. Laws and regulations define the minimum standards that businesses should follow in that economic environment. Sometimes it is easy to follow these rules, but sometimes the rules and laws make it difficult to start a business or keep a business running without some planning. A bakery, for example, may need to follow strict rules or codes about health and sanitation, but a construction company will have different codes or rules specific to construction codes, which can be more complicated. Understanding the economic environment for your business means understanding the laws and rules that apply to the type of business you have. Ethical companies take time to understand how the law applies to their company and makes plans for how they will follow those laws, holding themselves and their employees responsible.

Taxes are a part of the economic environment that can influence the cost of running your business. It is important to make sure that you understand how taxes will impact your business, products, and payroll. Minimizing the amount that your company pays toward taxes is often seen as an advantage, but ignoring taxes or not paying them can create an unfair economic environment that is bad for business or can result in fines for not following tax laws. Another factor in the business environment can relate to how easy it is to get a loan or finance your business. When banks offer loans to people to start their businesses the type of loan you get might have a higher or lower interest rate. Lower interest rates mean that it will be cheaper for you to borrow the money to start your business. High interest rates result in greater expenses for a business and can also mean that consumers have a harder time affording some products, especially things that are expensive, like cars and homes, if they need loans to purchase them. Having fair access to funding is important to the business environment, especially small businesses, so sometimes microfinance loans are available.

When governments want to encourage business (and to encourage people to start businesses) they create policies to try to make it easier for people to start businesses, understand the regulations, and may give some tax advantages or low-interest loans. Sometimes businesses that are in the same industry or sell similar products or services might work together to request that local governments help support businesses. Meeting with local leaders, government officials and policy-makers is important when businesses try to create an economic environment that decreases the costs of starting and running businesses. They can also work to make sure that local governments enforce appropriate rules and regulations that help create a fair environment or helps employees or customers. They may also work to get rid of old laws that make it difficult to do business, rather than breaking or ignoring those laws, which could end up getting a business in trouble.

Even though many parts of the economic environment are outside of your business's control, there are multiple ways to ensure that you are helping improve your local economic environment. The first is by paying employees a fair wage. This not only ensures that you are recruiting and retaining the best employees, but it also puts money back into the local economy. It is in your best interest to ensure a strong local economy, since most of your customers are locals. By contributing to a strong local economy, you are ensuring that your customers have more money to purchase your product. This may take the form of purchasing local goods to make your products or paying your employees a living wage. Not only is this ethical, but it contributes to the financial well-being of your customers.

One example from history is Henry Ford. Henry Ford is the inventor of the car and founder of Ford Motor Company. He realized that his employees were paid so low that they did not make enough money to purchase his products. While it was legal to pay them those salaries according to the minimum wage laws, it also caused high turnover and low morale as people continued to look for higher paying jobs. He responded to this problem by increasing the wages he paid to employees. While this was very expensive for the company at first, the company found that it dramatically decreased turnover and motivated employees to work harder and be more productive. They were able to eat better and feed their families, so they stayed healthier and took fewer days off from work. Furthermore, as Ford had hoped, many of his employees were now able to purchase cars and did so. Another example is from an Afghan businesswoman, Shahla, who ran a clothing company in Kabul. She often thought her employees were happy with the wages they received. One day she realized one of her employees experienced a serious injury at home. She decided to pay for the costs of the injury and the employees appreciated her decision. Since then she has provide health insurance to her employees and pays for their health costs as an additional benefit to the employees. She won the hearts of her employees and now enjoys a loyal group of employees who produce quality clothes for export.

Another way to improve the local economy is to purchase your raw materials from other local businesses and companies when possible. For instance, if you own a restaurant, you should attempt to purchase food locally. One large hotel, Setare Shahr in Kabul, has contracted a number of local farms to provide chicken to the hotel on daily basis. This has many benefits, including decreased transportation costs and improved condition of the food, but it also puts money into your local economy. Those people can then better afford to purchase your products. Avoiding bribery is another way to benefit the local economy. You may think that as long as the individual is local, that bribes would benefit the economy. The opposite is actually true. Paying bribes actually harms the local economy by increasing the cost of doing business for all people and businesses in a community and decreasing the productivity of work done.

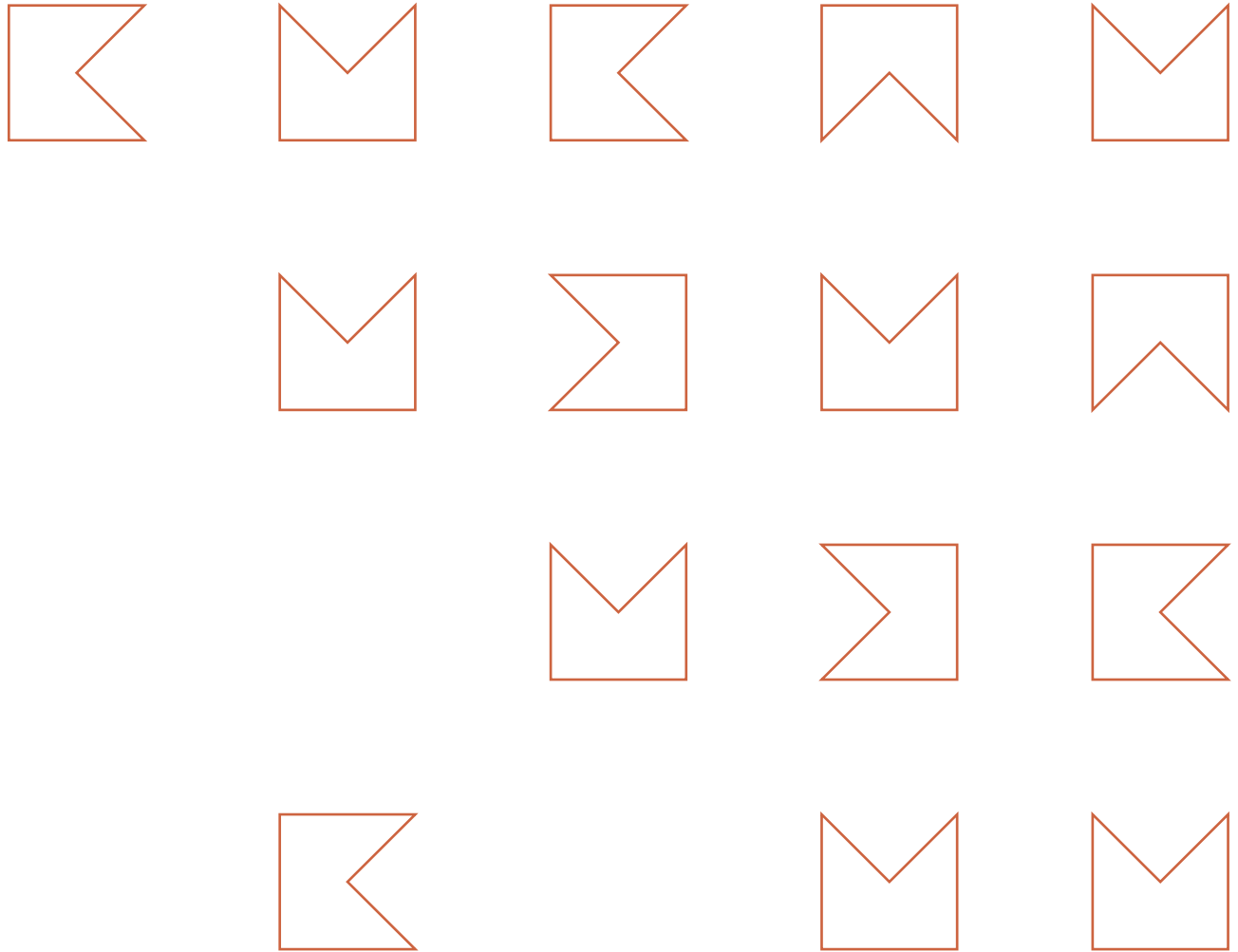
Glossary Terms from this Section

Turnover - The cycle of employees leaving and needing to hire new employees.

Bribery - The act of giving payments or gifts with the intent to get someone to do something or gain favors that you otherwise would not get.

For More Information Related to this Topic See

- What is social responsibility for business, and why is it needed? *13. Business Ethics*
- How do I respond to bribery/corruption? *13. Business Ethics*



18.

I have an ethical dilemma. How do I decide and implement the best steps forward?

The Basics

If you are faced with an ethical dilemma, you can create what's called an ethical decision framework to help decide what you should do. This is a series of questions you can ask yourself which will help you choose the most ethical option in this case. The first step is to look at the law and your responsibilities to others (duties), and ask yourself what you are required to do. The next step is to make sure that you are not abusing the rights of other people. Then think about whether you would feel good having this as part of your normal practice and policies. You can also ask yourself if it would be right if everyone else acted the same way. Finally, ask yourself if your actions are in line with your personal morals and the reputation you want to have in the community. Once you can satisfy these questions, you can feel confident in your decision.

Tell Me More

The best way to work out an ethical dilemma is to build an ethical decision framework. Your framework might mean that you use the following ideas and questions to make a decision. It is important to consider all of these questions to think about all the different people and ways that an ethical decision can have an impact on in your business. You may want to add other questions that fits within your own ethical beliefs, or prioritize the questions below in a way that best fits your ethics.

Step 1: Are you meeting your duties, responsibilities to yourself, your business, your community and society? This step refers to finding what you are required to do. For instance, you are required to follow laws, you are required to pay your employees. You should also identify what your basic duty as a company is by thinking about your company values and mission.

One way to test your decisions is to imagine that you are looking at the situation as an outside observer. Would each person in the situation agree that your decision is the best possible outcome? Even for a good decision, every person may not be happy, but all would agree that it was the best decision for that situation.

Step 2: Are you respecting others' rights?

This step requires that you look at each person involved in your dilemma, and determine whether you are infringing on their rights. Imagine that you are deciding how much to pay an employee. It may be legal to pay them very little money, but that person also has a right to a living wage. Therefore, the ethical decision would be to pay them a living wage.

The way to apply this test is easy. Think about how you would feel if what you did was on the front page of your newspaper? Would you be proud of your decision or ashamed? If you would be proud to have it on the front page, it is probably a good option. Sometimes people consider if it is something they would be comfortable explaining to their elders or children. Think about if the decision would show you as someone who treats others with respect.

Step 3: Would the community be a better place if everyone made this same decision?

When making decisions, you always want to choose options that can and should be repeated. You want to make decisions that can become standards for your company and community. Remember that your employees will follow your lead. If you act unethically, they will probably follow in your example.

To test this you should ask, how would you feel if others made the same decision as you? Would you want all of your employees to make the same decision? If you were a customer for a different company, would you want them to treat you the same way? If your answer is yes to these questions, it is safe to continue.

Step 4: Does this decision reflect the values that are important to you and your business?

This last step requires you to look at your own ethical beliefs. You have to make sure that this decision supports your values and priorities. If you think of yourself as a kind and caring person, you want to ask yourself if your decision reflects that. If you think of yourself as a responsible person, does this decision show that you will take responsibility and be responsible to the people around you? What are your duties to your employees, clients, business, surrounding community and society? Given your company's code of conduct, are all of these responsibilities being met?

To answer this final concern you need to consider what you want to be known for or what kind of reputation you want to have. Is this decision something that you would like to be known for? Your decisions will contribute to your long-term reputation for your company and yourself as a leader.

Glossary Terms from this Section

Dilemma – A hard choice that you must make between two options or values.

Ethical Decision Framework – A set of steps for making decisions when the answer is not clear.

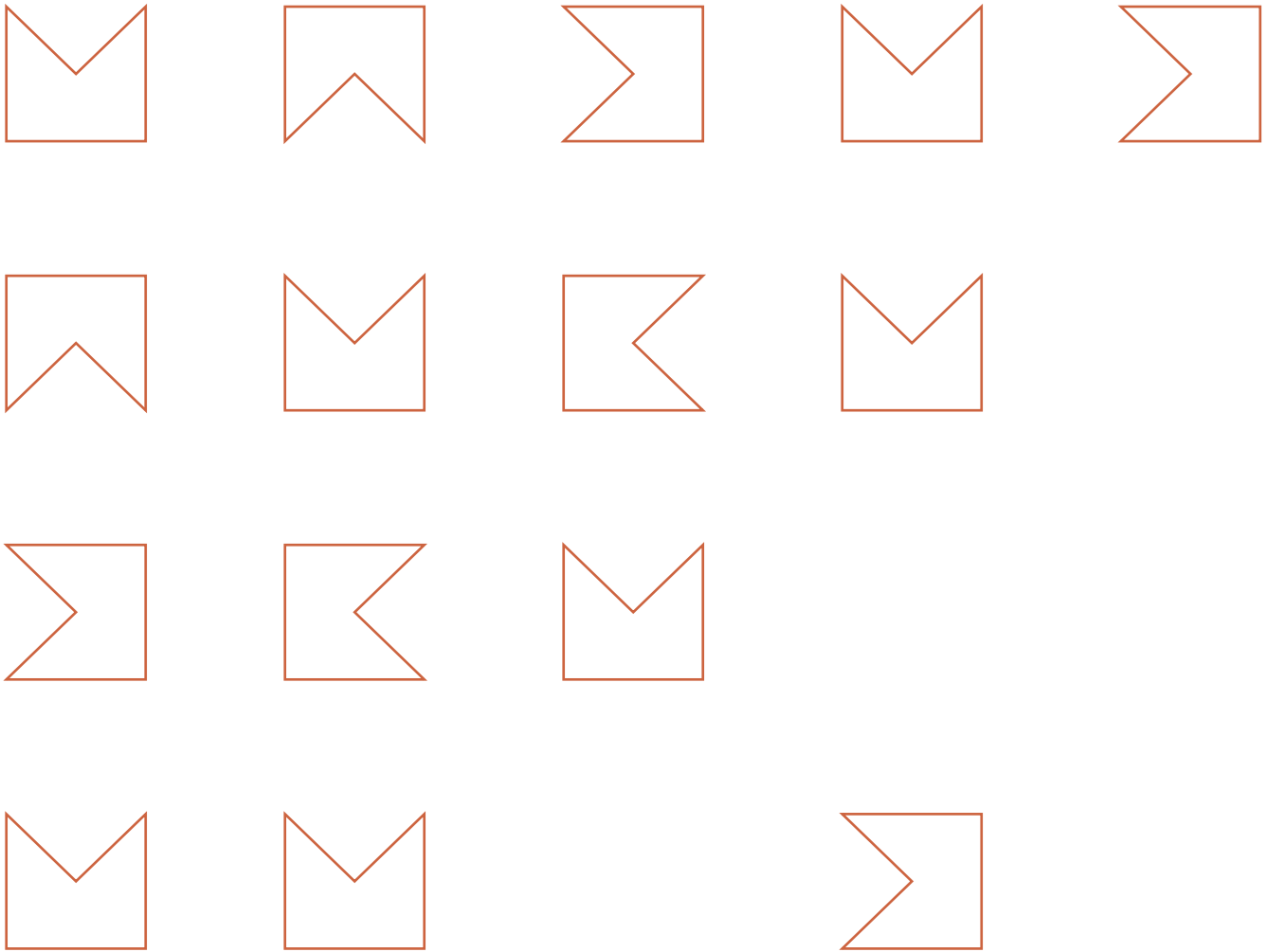
Reputation – Beliefs or opinions about someone.

For More Information Related to this Topic See

- What is ethics in business? *13. Business Ethics*
- Why is ethics necessary for success? *13. Business Ethics*
- I'm following all the laws. Isn't that the same as acting ethically? *13. Business Ethics*
- What is a code of conduct? How do I create a code of conduct or ethics policy? *13. Business Ethics*

Additional Tools Available

Ethical Framework Template



19.

How can unethical behavior affect my business?

The Basics

Unethical behavior can have a large impact on your business by creating legal issues and fines, damaging your business's reputation, reducing employee performance, and creating a bad culture in the business. While the impacts of unethical behavior might not be noticed at first, unethical behavior in companies often increases the costs of running a business. If someone in the business is behaving unethically, it can make the whole business look bad. This behavior can easily result in lost customers, clients, partners, or suppliers, costing your business money. It is important to watch for unethical behavior and to deal with it directly when you see something happening in your business. In order to stop unethical behavior from harming your business you should make sure to set realistic goals for your company and employees, set clear expectations for behavior of employees, encourage openness and communication about problems in the business, and have ways to check on employees to make sure they follow the rules you have put in place.

Tell Me More

Unethical behavior is a problem that many businesses encounter and, if not corrected, can have many negative impacts on a company. Unethical behavior in a business can include things that seem small, like employees taking and using company supplies for personal use or doing personal activities like using Facebook when they should be working. It can also include larger problems, like paying bribes or stealing money from the business. These behaviors might sometimes seem small or harmless, but over time they can have big impacts on the business and the community. The main ways that unethical behavior impacts businesses is by creating legal problems, hurting the business's reputation, decreasing employee motivation and performance, and creating a negative business culture.

Unethical behavior that impacts people outside the company, like investors, business partners or customers, can lead to reports of the company breaking the law and creating legal issues for the business. Businesses that do not follow rules and laws can face fines and penalties. When unethical behavior is bad enough, it can also result in loss of time as you deal with the issue and work with others to resolve the problems or disagreements. Dealing with legal problems resulting from unethical behavior can take months or years to resolve and cost the company money. In addition, individuals who are found to have broken the law can also be arrested and face punishment. Some crimes can leave the business responsible legally, and might threaten the business' survival if penalty could result in a loss of legal status. For instance, many companies have been blacklisted and barred from operations as they forged documents and provided falsified information to the government.

If unethical behavior is shown to the community, the business's reputation can be hurt. People who are upset about the unethical behavior will talk to others, passing on the negative information over and over again. Sometimes the bad reputation can cause a business to lose important customers and restoring the business's reputation can take time and money. Employees or business partners who were not involved in the unethical behavior may also become angry because their own reputation will be hurt because of the negative view people have of the business. This can cost your business revenue, cost savings, and competitive advantage in the market.

In some cases, when unethical behavior leads to employees not doing their job or ignoring procedures, it shows up as poor performance. This can create more work in having to fix mistakes or having to do bad quality work over again. Another way employee performance can suffer is when employees see unethical behavior occurring over and over again with no after-effect. Even those who worked hard in the past might lose motivation to work hard if they see others acting badly. Even with small issues, the impacts of unethical behavior in a company can cause employees to become less effective, which results in lower production and worse performance from employees, costing the business time and money.

When unethical behavior occurs in a business, it can lead to a bad business culture. Unethical practices often create strain and bad feelings between employees. Some employees may become angry that others do not follow the rules or treat other people badly. Unethical behavior can make employees or business partners lose trust in each other. A lack of trust creates a negative work environment and the resulting bad feelings can be noticed by others, even people outside the business, like customers. This cycle of negativity in the business culture can lead to lower productivity and more conflict, which can cause employees to feel sick or depressed. Businesses with a bad culture have higher turnover, and risk losing valuable skilled workers who may take skills and secrets with them to another job. It is harder to attract new workers if your business has a reputation as a bad place to work.

To prevent unethical behavior, it is important to pay close attention to ethics in the business. Make sure that employees know what is expected of them and set goals for them that keep them motivated and are realistic for them to meet. If goals are too hard to reach, they could engage in unethical behavior to meet the goals. Also, make sure to pay attention to how employees spend their time at work. If employees think no one is watching them, they may become lazy, take credit for work they did not do, or skip needed steps that may harm others. Make sure to encourage employees to come to you with problems or concerns so that you can help stop unethical behavior in the business. If unethical behavior is ignored or goes on without penalties, the problems you might see and the negative impacts on the business will grow. Employees, customers and business partners should know that you care about fixing unethical behavior for the long-term good of the business.

Glossary Terms from this Section

Business culture – The beliefs and behaviors that determine how a company interacts and handles business transactions. Often, corporate culture is implied, not expressly defined, and develops organically over time from the cumulative traits of the people the company hires.

Competitive Advantage – Something that puts one company in a better business position or bargaining position than other competing companies.

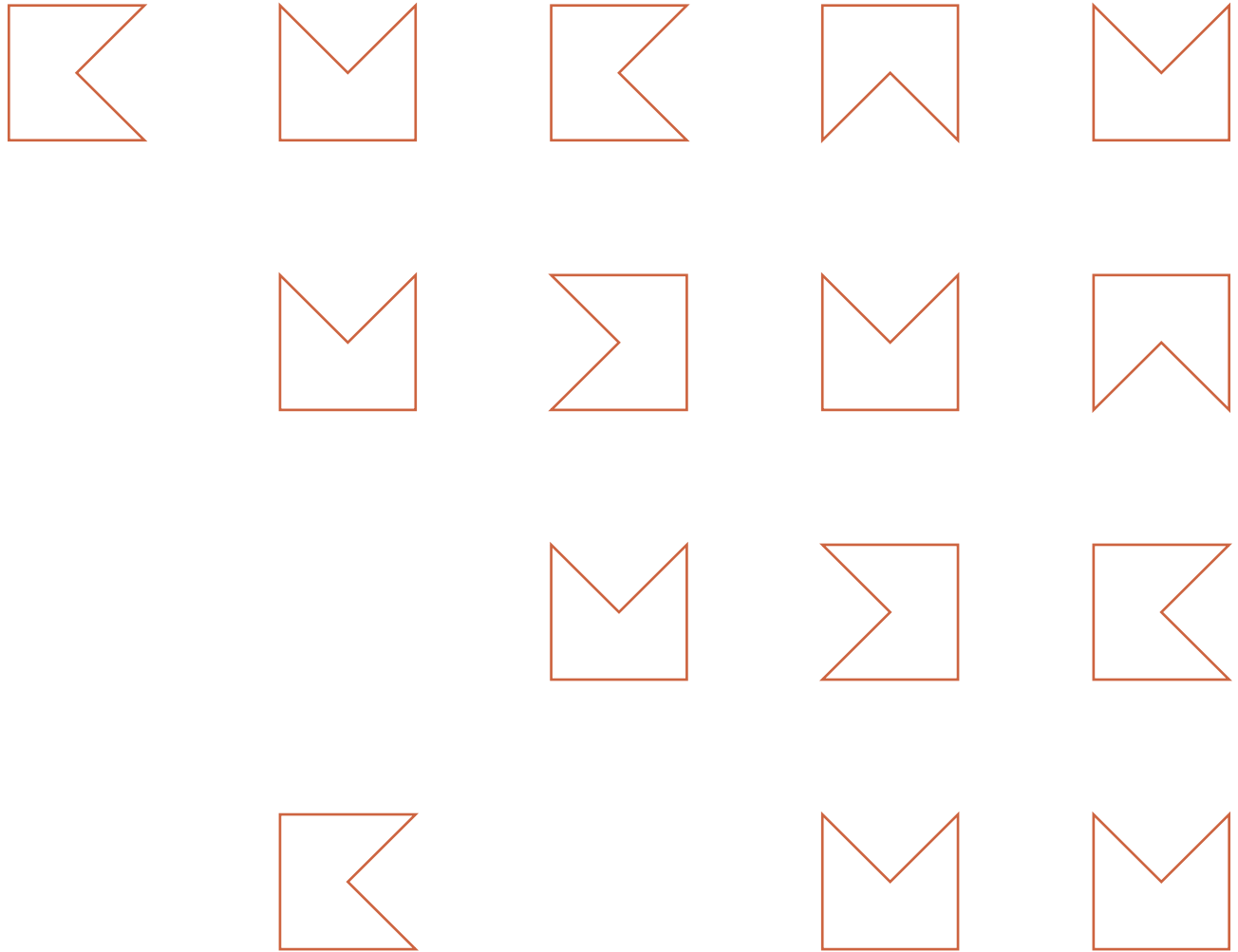
Reputation – Beliefs or opinions about someone.

Turnover – The cycle of employees leaving and needing to hire new employees to replace them.

Unethical Behavior – An action that falls outside of what is generally considered right, responsible, or proper for a person or company.

For More Information Related to this Topic See

- Why is ethics necessary for success? *13. Business Ethics*
- What is a code of conduct? How do I create a code of conduct or ethics policy? *13. Business Ethics*
- How and why should I treat competitors ethically? *13. Business Ethics*
- What are common business practices that may be considered unethical? *13. Business Ethics*
- What do I do if I discover one of my employees has acted unethically? *13. Business Ethics*
- How do I respond to bribery/corruption? *13. Business Ethics*



20.
**Do only bad people act
unethically?**

The Basics

It is not only bad people who act unethically. People with good intentions can sometimes end up participating in bad behavior. Sometimes this happens when attention is on solving a serious and complicated problem, which draws attention away from the rightness or wrongness of what is being done to achieve a goal. This raises the strong possibility that bad behavior can end up being unintended. Another way this happens is when someone uses self-serving reasoning to logic that something is right even though it is not. For example, a business owner might be tempted to pay bribes to get a project and justifying it to herself that other business women do the same. This is very typical line of reasoning, but it doesn't make paying bribes legal or ethical. A third way that good people can sometimes do the wrong thing is by watching what others are doing as a guide for their own behavior. If other people are behaving badly, it may be easy to ignore your own ideas of right and wrong and follow their example. All people have biases which they are not fully aware of in their minds. For example, you may treat others unfairly because they look different from you, come from a different ethnic group, or because they are of an opposite gender. You may think this without realizing that you are making judgments about them that might not be true. It is important to be careful about accidentally making unfair or unethical decisions.

Tell Me More

People with good intentions care about trying to live up to their own values and to the needs of their communities. They are more likely than people with bad intentions to avoid unethical behavior. Sometimes good people fail to live up to their own values. Everyone shares certain human tendencies that make it hard to be ethical in some situations.

One tendency that all people share is being very focused on their goals. Give people a goal or a hard problem to solve, and the focus on that problem can easily make them ignore other important things. As you become focused on your business goals, do not forget to think about what is right or wrong about how to achieve these goals. This is true when there is a short time or other pressure attached to the goals and can weaken how well people keep to their ethical standards. Be sure you pay attention not only to the goal, but also to how you are trying to achieve the goal. Regularly review your goals to make sure they are still your best priority. Be aware of the tendency to take moral compromises when there is not much time.

Another tendency that everyone shares is the ability to talk themselves into bad behavior. This is done by making excuses. The ability to make excuses explains why good people can engage in bad behavior without feeling bad about it. The basic idea is that everyone has their own internal ethics and values and they usually behave in line with those standards. Sometimes they decide to ignore those standards and make an excuse to behave differently than they usually would for a certain reason or situation.

People make excuses for themselves in eight different ways:

1. They tell themselves that bad behavior is justified because it is accomplishing some greater good.
2. They give their bad behavior a different label, so that it does not seem as bad.
3. They make their own bad behavior seem less bad by comparing it with someone else's behavior.
4. They minimize the harm caused, by simply telling themselves that it is not such a big deal.
5. They think of the victims of their harmful actions as undeserving of consideration and respect.
6. They put the responsibility for the bad behavior on some other person, such as a boss or partner.
7. They feel less personal responsibility for their own behavior when in a group or doing a job.
8. They blame the victims of their harmful actions, telling themselves that it was their own fault.

People may make excuses for bad behavior. Ask yourself: Are you thinking about bad behavior in a way that makes it seem less bad? Are you ignoring or hiding harm you are causing? Are you making excuses to deny responsibility for your own bad behavior?

Another tendency that all people share is that they watch others for clues on how to behave. If they see others engaging in bad or good behavior, people often tend to ignore their own inner feelings and go along with the crowd. People look to the behavior of others as proof that they should act likewise. If others cheat on their taxes, they are more likely to cheat on their taxes. We do not always do our own thinking and decision-making about what is right and wrong. Be aware of this habit to follow others and make sure you are thinking about things yourself and taking responsibility for your own decisions and actions.

Without thinking about them intentionally, people all have biases that affect their decision making. In their decisions and actions they tend to favor people who belong to dominant and well-liked social groups and people who belong to their own social groups (for example, people who look like them or grew up where they did). Be aware that your decisions based on an individual's social group, appearance, age, or background could be very unfair. Make sure to take time to understand people who are different from you so that you can consider them more objectively. Judge others on their abilities and your personal experience with them.

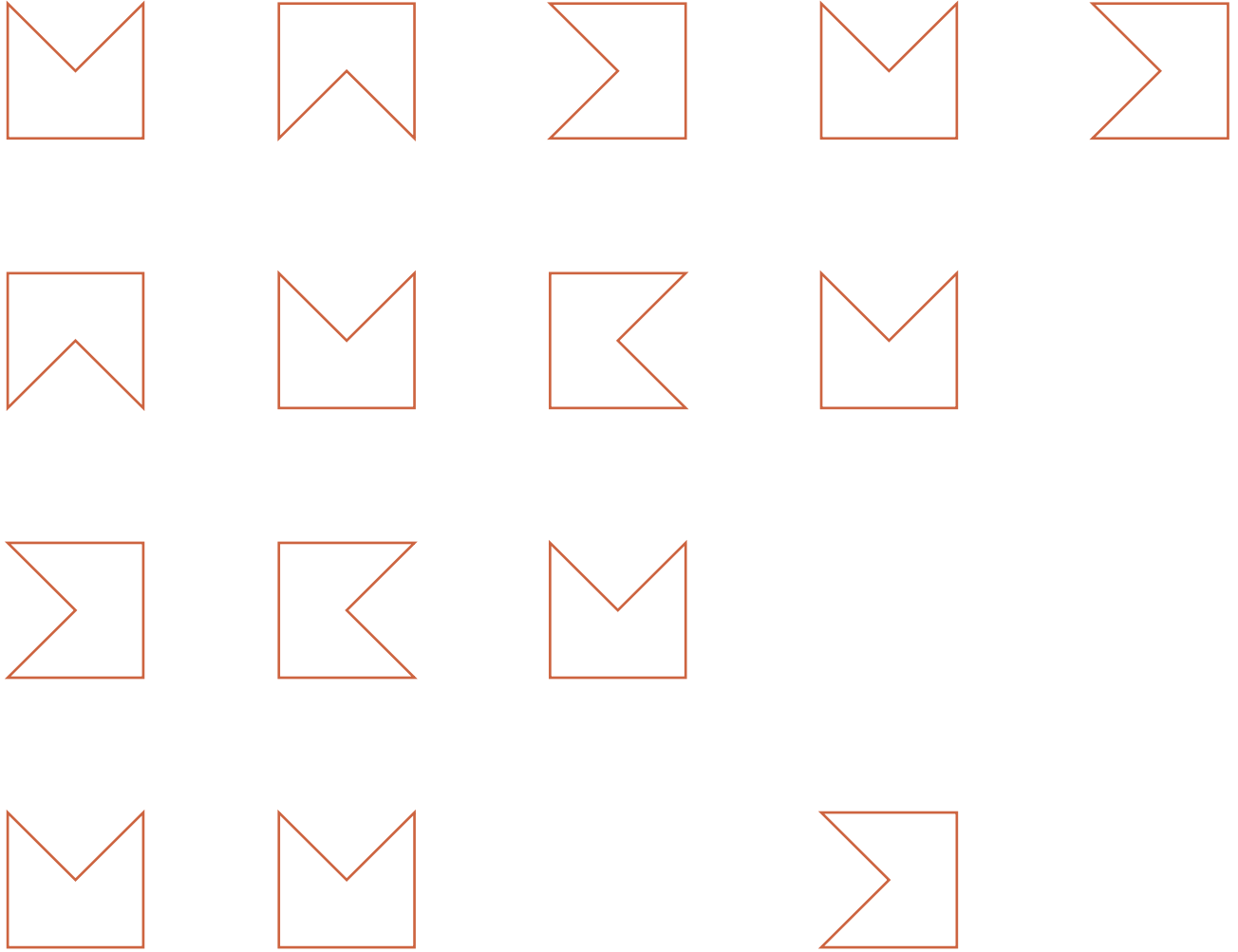
Glossary Terms from this Section

Bias – To have feelings for or against certain people or groups compared with another in a way that is unfair.

Self-Serving – Having concern for or benefitting yourself before thinking of others.

For More Information Related to this Topic See

- I'm following all the laws. Isn't that the same as acting ethically? *13. Business Ethics*
- What are common business practices that may be considered unethical? *13. Business Ethics*
- I have an ethical dilemma. How do I decide and implement the best steps forward? *13. Business Ethics*



Tools