The potential benefits of running a business ethically includes:

1. **Competitive advantage.** A business with good reputation has a competitive advantage as it becomes the preferred choice of customers. A good reputation also increases the business' chances of being selected as supplier to multinationals and local and large companies.

2. **Reduced cost doing business.** Bribes can be costly and even small ones add up. Money that would have gone to bribes is saved and can be used to expand the business.

3. **Recruitment and retention of principled employees.** A business with ethical standards is conducive to high employee morale and becomes known as a good place to work.

4. **Attractive acquisition.** Should an owner decide to sell the business, a good reputation will make the business more attractive to potential purchasers.

5. **Protection from penalties.** Corruption is against the law. A business that does not engage in corruption will be better protected against penalties, blacklisting, and license losses.

**Making ethical business decisions**

Knowing how to make ethical business decisions can help you to set the standard throughout your organization, helping your company to garner a strong, positive reputation in the marketplace while securing a loyal customer base.

**Step 1.** Create a code of ethics and consult it before making business decisions. A formal code of ethics can help you and your employees make decisions more quickly by conforming to a set of rules to which everyone agrees.

**Step 2.** Consider the effects of your decisions on all stakeholders. Decisions are often made to address one or a small number of issues, such as revenue growth, cost control or client-specific issues, but it is important to realize the wider implications of your decisions on everyone affected.

**Step 3.** Use industry regulations as a starting point when making decisions. Build your organization to exceed laws and regulations, going further than your competitors to ensure that all stakeholders are treated equitably, rather than simply conforming to minimum standards.

**Step 4.** Consult others when making decisions with widespread consequences. You can ask for help in generating options and in choosing which option to pursue, or you can seek advice concerning an option that you have already chosen before implementing it.

**Step 5.** Review the results of your past business decisions, and learn from your mistakes. According to experts, managers should always reflect on the outcomes of their decisions. No one can make perfect decisions all of the time, although making consistently ethical decisions is more easily accomplished than making consistently successful or profitable ones.

**Source:** David Ingram, Demand Media, [http://smallbusiness.chron.com](http://smallbusiness.chron.com)

**Integrity pacts**

An integrity pact, like a transparency pact, also revolves around a public declaration to adhere to a set of ethical and transparency standards by all parties to a specific tender. But this declaration is in the form of a legally binding contract, and all parties must submit to an external monitor which verifies compliance. Noncompliance with the requirements of the integrity pact incurs punitive sanctions which are enforceable in court. All parties must sign a contract, in which bidding companies commit that their employees will not offer bribes or collude with other bidders, and that they will disclose all relevant, non-proprietary information to ensure transparency. The purchaser (typically a government entity) commits that its employees will not accept or solicit bribes and will ensure a transparent and fair tender process. The contract also identifies an independent party that will monitor all transactions, disclosures and meetings in order to verify compliance with the requirements of the integrity pact.

Lastly, the contract lays out sanctions for noncompliance. If effectively implemented, an integrity pact can greatly reduce opportunities to engage in corruption in procurement. This form of collective action is an aggressive and comprehensive attempt to ensure a level playing field among competing companies and to increase transparency and accountability in large-scale government purchases. Integrity pacts only govern individual transactions, so each tender requires a new and distinct contract. Because these contracts are legally binding, and because they govern large, complex transactions, they can be difficult and costly to develop. Moreover, an independent third party must be retained that possesses the expertise to monitor the pact. Finally, integrity pacts do not change the business climate.

**Source:** [http://www.cipe.org/publications/detail/approaches-collective-action-how-businesses-together-can-lead-fight-against](http://www.cipe.org/publications/detail/approaches-collective-action-how-businesses-together-can-lead-fight-against)
Private to private corruption

Corruption does not always have to involve a government official or civil servant. Corruption can also take place between two private actors. Private-to-private sector corruption occurs when an officer or employee of a company exercises power over the performance of a function within the company and uses that power for his or her own personal benefit and to the detriment of the company. This type of corruption can occur in a variety of situations and can take numerous forms. Some common examples of this type of corruption include:

- **Purchasing and procurement.** Gifts of cash or entertainment given by a sales representative of a company to the purchasing manager of another company to obtain an order of goods or services.
- **Loans of other financial services.** Payments made by a company to a bank manager or loan officer to obtain approval of loan.
- **Hiring and promotions.** Gifts given to a company’s personnel director to ensure that a particular person is hired or promoted.
- **Audits.** Payments made by a company to an accounting firm by the company being audited to include them to overlook certain irregularities.
- **Publicity and promotion.** Payments made by a company to journalists to write a favourable article about the company or not to expose negative information about the company.

A well balanced, inclusive approach, according to certain standards and ideals, is essential for the proper governance of any country.

--Laisenia Qarase

Some examples of making ethical decisions in business that offer a glimpse of ways companies can put ethical business principles into action.

**Going green.** Many companies have opted to play a part in helping the environment by making the decision to go green. Office recycling is common in businesses, so employees can help reduce environmental waste by recycling office paper, cans, bottles and other materials.

**Social responsibility.** Some businesses make the decision to actively better social conditions by improving local economic conditions, offering opportunities to low-income people or serving people in need.

**Individual ethics.** Individuals make decisions based on ethics in business settings all the time. An employee who refuses to spread or participate in workplace gossip, for instance, makes the decision not to spread potentially false information that is damaging to someone’s reputation. Other individual ethical decisions at work may involve being honest, not stealing money and keeping customer information confidential.

**Considerations.** Business ethics encompass a wide variety of circumstances and can vary from business to business, depending on the industry and the location and nature of the individual company. Small businesses can enact ethical codes and distribute the codes to employees to help ensure everyone in the organization is working toward the same goal of upholding principles and procedures that are important to the company.

Source: [www.cipe.org](http://www.cipe.org)

**Examples of making ethical decisions in business**

Fidelity. If the decision-maker has made a commitment in the past, he must remain faithful to it. If he makes a decision that is contrary to this commitment, this will be likely be perceived as unethical, as he would have essentially gone back on his promise. For example, if he agreed to stick with one supplier for a set period of time, then switches to another before the stated time period has elapsed, the ethics of his decision may be called into question.

Fairness. Decision-makers should put effort into not allowing bias to influence their decisions. If, for instance, an individual allows her feelings for a particular person or group of people to influence her decisions, her decision may not be an ethical one.

Input Receiving. Generally, ethics dictates that decision-makers should take the wants and needs of others into consideration when making decisions. For optimal ethical decision-making, decision-makers should give others a voice and consider the concerns or needs expressed before arriving at an ultimate decision.

Source: [http://smallbusiness.chron.com](http://smallbusiness.chron.com)

7 guidelines for making ethical decisions

When individuals find themselves in the position to make ethical decisions, they should first consider some of the guidelines associated with ethical decision-making, and keep these in mind throughout the entire decision-making process.

**Integrity.** To make an ethical decision, the decision-maker must feel largely autonomous. If he does not feel free to make the decision himself, but instead feels that he must make a certain choice as a result of outside pressures, he is more likely to make a decision that is unethical.

**Consideration of impact.** When making decisions, the decision-maker must first consider the impact that her decision will have upon others. By considering the lasting impact of her decision, she can improve her chances of making an ethical decision in which all affected individuals’ needs are met to the greatest extent possible.

Legalities. Often laws and regulations must play a part in the decision-making process. If an individual is making a decision with legal ramifications, he must first ensure that he understands the laws and other rules that should necessarily impact his choices, so that the choice he makes is in line with these laws.

Nonmaleficence. Some decisions have the ability to cause harm. If an individual is making a decision that could prove harmful to others, she must reconsider and choose the option that is least damaging to others.

Source: [Erin Schreiner, Demand Media](http://erinschreiner.com)

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