Ethics in Business

Student’s Name

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Forming an organization requires a pool of resources. However, the resources must be pegged to the organizational goals and strategic plans. These objectives include profit maximization or shareholder’s wealth maximization. Therefore, the management engages in activities that will assist meet the goals as intended (Velasquez, & Velazquez, 2002). Labour and raw materials constitute expenses that are incurred in large proportions. This requires effective manage to help in efficient allocation of resources and utilization.

Businesses have key stakeholders including the top management and the shareholders. It is the responsibility of the management to ensure that the business is a going concern (Ferrell, and Fraedrich, 2015). However, they work under the conditions stipulated by the top management. Due to the levels of conflict of interest, the management may decide to inflate expenses. This means that the expenses will be overstated in order to understate incomes. This is a scenario where the company reduces the taxable income so that less tax can be paid. However, some managers may opt to reduce expenses and increase the profits to please the stakeholders. In this case, since the stakeholders are the investors, the management may want to please them with high returns and capital appreciation. In other words, the management may want to please the stakeholders by providing high returns in terms of dividends.

Therefore, to solve the issue attributable to ethics within an organization, it is necessary to provide rules and regulations. Significantly, the shareholders should have independence of mind and appearance to avoid manipulations. In addition, strong controls will encourage adoption of accounting standards.

References

Ferrell, O.C. and Fraedrich, J., 2015. *Business ethics: Ethical decision making & cases*. Nelson Education.

Velasquez, M. G., & Velazquez, M. (2002). *Business ethics: Concepts and cases* (Vol. 111). Upper Saddle River, NJ: Prentice Hall.