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[BUSINESS](https://www.wgu.edu/blog/categories.html?categories=business)

Ethical Dilemmas: How Scandals Damage Companies

Ethics. Values. These things are extremely important to working professionals in any industry.  In fact, [73% of professionals](https://www.glassdoor.co.uk/blog/mission-culture-survey/) say they take an organization’s values into account and would not apply to a company unless its values aligned with their own.

Furthermore, [82% of workers](https://assets.hcca-info.org/Portals/0/PDFs/Resources/library/EmployeeEngagement_LRN.pdf) say they would prefer to be paid less and work for a company with ethical business practices rather than receive higher pay at a company with questionable ethics.

Business leaders need to work to ensure their organization is one with high morals, principles, conduct, and ethics so that employees feel comfortable and confident there. Employees who believe in your corporate principles and conduct and share your values are a huge asset to the organization. Employees and management alike can work together to create businesses that have high standards.

Unethical businesses also lose favor with consumers.[43% of consumers](https://www.linkedin.com/pulse/ethics-sells-more-why-so-many-brands-behind-curve-dr-chris-arnold/)have stopped buying from brands they find unethical and [71%](https://smallbiztrends.com/2020/02/brand-values-alignment.html) say they carefully consider corporate values when making a purchase. [Trust](https://www.edelman.com/sites/g/files/aatuss191/files/2019-02/2019_Edelman_Trust_Barometer_Global_Report.pdf) is vital for consumers to feel comfortable and confident with their purchases. Business ethics is its own set of morals and values that are vital in a workplace or corporation. Business ethics involves the industry, their business practices, how they deal with customers, profits, legal issues, and corporate conduct. Management needs to focus on business ethics as an important pillar of their corporation in order to make sure customers are happy with the appearance of their workplace.

The workplace should focus on their ethics and values so they can attract the right employees and consumers alike. The more willing a workplace is to create a mission that demonstrates their ethical values, the more likely the organization is to thrive and succeed. rates their ethical values, the more likely the organization is to thrive and succeed. In fact, recent reports show businesses that have ethical workplace cultures [outperform their competitors](https://www.shrm.org/hr-today/trends-and-forecasting/special-reports-and-expert-views/Documents/Ethical-Workplace-Culture.pdf)—but especially in stock price growth.

Ethical scandals in business can deeply hurt the look of a corporation, which can make employees and consumers get a bad taste in their mouth about the morals of the company. How a company reacts to ethical scandals and dilemmas that happen on a small level will say a lot about their core practices and values. As a student of business, it’s valuable to learn from business scandals to understand what to avoid or watch out for in business ethics of a company, as an employee and as a consumer. Utilize your time as a student to learn from examples that can give you a deeper understanding as you prepare for a business career.

### **What are Examples of Business Scandals?**

#### **United Airlines**

It’s hard to forget the scandal[United Airlines](https://www.cnn.com/2017/04/11/travel/united-customer-dragged-off-overbooked-flight/index.html) faced after security officers forcefully dragged a passenger off an overbooked flight. While it’s perfectly legal for airlines to overbook flights and equally legal for them to request certain passengers get off the flight, many consumers say they were disappointed with how the company handled the situation. This ethical dilemma of how to handle a consumer who wasn't cooperating showed a. lot about corporate practice for United Airlines.

Additionally, the apology and statement from the United Airlines CEO seemed lukewarm to many consumers. The apology seemed to back up employees but didn’t really express remorse or regret about the situation. This is a business ethics situation where consumers wanted to hear that their corporate practice involved consumers and customers coming first.

This entire ethical scandal lead many customers to cut up their United Airline loyalty cards, cancel flights, or book with another airline. Many consumers still talk about this incident and use it as an example for reasons to avoid United Airlines, stating their business ethics aren't what they should be.

#### **Equifax**

[Equifax](https://techcrunch.com/2018/12/10/equifax-breach-preventable-house-oversight-report/) faced a large ethical scandal when hackers stole data from more than 148 million consumers. After the fact, the research found that the systems Equifax was using were old, and their security systems were out-of-date and could have been updated to prevent the breach. This is an example of business ethics where small businesses and big companies alike have a duty to ensure they are following guidelines for a safe work environment and safe opportunities for consumers.

Beyond the breach itself, Equifax didn’t report the stolen data for two months. This means that for two months, consumers who had their data stolen were walking around, with no idea there could be any issues. This lead the Equifax CEO to step down, and nobody knows where the data is, or who has it. The ethics in this situation focus on honesty and integrity, and the best ethical choice would have been for Equifax to immediately admit that something had gone wrong.

Equifax has worked to right the wrong by paying out consumers whose data could be compromised. But unfortunately, there is only so much they can do at this point. Consumers expect business ethics from Equifax and other financial institutions that keep sensitive data to be up-to-date on security measures and do their due diligence to make sure data is kept safe.

#### **Google**

[Google](https://www.theverge.com/2019/3/20/18270891/google-eu-antitrust-fine-adsense-advertising) may be one of the largest companies in the world, but it’s not immune from ethical dilemmas and business ethics scandals. As of 2019, Google is facing a fine from the EU, with the EU saying that Google abused their dominant position and forced AdSense customers to sign contracts saying they wouldn’t accept advertising from rival search engines. This is an example of business ethics where consumers expect organizations to be fair in their treatment of consumers and of rivals. Especially when a company dominates the market, the ethics involved have to be more strict.

Google has been fined a total of $9.3 billion by the EU for antitrust issues, ranging from mobile market dominance to manipulating search results. They are now facing a probe from the United States Justice Department. Google has released statements saying they’re working to make changes so all companies are represented fairly on their platform. Users have been unhappy when they’ve discovered the problems that Google is responsible for, but as the company works to institute changes, they are also winning back consumers. As Google works to improve their business ethics practices, they will appeal to their consumers again.

#### **Enron**

[Enron](https://www.britannica.com/event/Enron-scandal) faced an ethical accounting scandal in 2001 after using “mark-to-market” accounting to fake their profits and misused special purpose entities, or SPEs. Enron worked to make their losses seem less than they actually were, and “cooked the books” to make their income look much higher than it was.

Enron stock plummeted after the news got out, and the SEC began an investigation.

That ethics investigation lead to jail time for many Enron executives, and their accounting firm Arthur Anderson lost all of their clients and eventually was dissolved. Enron filed for bankruptcy, and new laws were introduced based on this scandal to prevent similar situations. This is a case where business ethics means that honesty and full transparency is what companies and consumers should expect.

### **What are Ethical Dilemmas in Business?**

An ethical dilemma is a paradox that comes up when there are two or more options, but neither of them are the best ethical or moral option. False accounting, sexual harassment, data privacy, nepotism, discrimination—these are just some of the ethical dilemmas that happen in today’s workplace. Many business owners and managers will deal with ethical issues at some point in their career. For this reason, it’s crucial for every business—no matter the size—to create a code of ethics. Not only will it establish a foundation of trust between employees, customers, investors, etc., but it will help ensure your business is operating within the law.

**Promoting Ethics in Business**

Big scandals are just the tip of the iceberg when it comes to business ethics. There are small, daily decisions happening with executives, managers, and employees that all make up a company’s ethical behavior. There are issues that the public doesn’t hear about that could be impacting culture and performance negatively inside an organization.

As a business student, it’s important to understand how to be ethical in a company now. Making decisions on your values and morals will help you be prepared to face ethical dilemmas in the future. There are many ways you can be ethical, including being honest with other employees and the public, whistle blowing on misconduct, paying employees what they deserve, not tolerating theft, being unwilling to participate in questionable accounting, respecting the environment, and refusing gifts from vendors in exchange for better treatment.

### **How Can I Handle Ethical Dilemmas in the Workplace?**

To be prepared to handle company ethical dilemmas, you should try the following.

1. Decide what your ethics are before you start a job. Understand what your values, your personal mission statement, and your goals are in order to help you know ahead of time how you'll behave in an ethical dilemma.

2. Communicate with your manager. Management should be made aware of any areas that you feel are ethically questionable. This is usually best done via email, so you have record and proof or your actions. Be sure to let your manager know the entire situation, and how you feel about it. If a manager is behaving unethically, you can send an email explaining your feelings and concerns.

3. Work with HR if necessary. Sometimes management doesn't respond or react when you bring up ethical dilemmas at the office. If this is the case, go directly to your human resource manager and work with them to know how to best handle the situation.

4. Know when to get out. If you believe a company is going to continue unethical behavior, it's up to you to get out of the company. Work to find another job at a company that you feel will uphold your ethical standards. There is nothing wrong with leaving a job because you believe they are being unethical, and it can end up being good for you in the long-run.

If you’re hoping to be successful in business, understand that the best thing you can do for your employees and your consumers is to practice ethical behavior. Business ethics can be a slippery slope, so it's best to ensure you know what your personal ethics are, so when a conflict or challenge arises, you know exactly what you will do. Ethics are a vital element of becoming successful in business, and the more prepared you are, the better your career will be.

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<https://www.wgu.edu/blog/ethical-dilemmas-how-scandals-damage-companies1909.html#close>