Debate

Ethics Is Good, But Is It Profitable?

ISSUE: Does being ethical result in better performance?

While research suggests ethical businesses have better performance, there is also an alternate view. Many businesspeople think ethics and social responsibility require resources that do not contribute to profits, and time spent in ethics training could be better used for other business activities. One viewpoint is that when companies push the edge, pay minor fines for misconduct, or are not caught in wrongdoing, they may end up being more profitable than companies with a strong ethical culture. Many financial companies became extremely profitable when taking high-risk opportunities with limited transparency about the nature of the complex products they sold. To gain competitive advantage, a firm needs to be able to reach markets and make sales. If a firm is too ethical, it might lose competitive advantages. On the other hand, Ethisphere's World's Most Ethical Companies index indicates ethical companies have better financial performance.

There are two sides to every issue:

1.   *Ethical businesses are the most profitable.*

2.   *The most ethical businesses are not the most profitable.*

*This debate issue was developed by O. C. Ferrell and Linda Ferrell © 2021. This case was prepared for classroom discussion rather than to illustrate either effective or ineffective handling of an administrative, ethical, or legal decision by management. All sources used for this case were obtained through publicly available material.