



## **How Ethics Affect In Logistics**

**Zainab Moosa AlAali**

Kuwait University

Email: [zainab367@hotmail.com](mailto:zainab367@hotmail.com)

**Ruth Powosino Paucarima**

Email: [rpowosino@puccp.pe](mailto:rpowosino@puccp.pe)

Pontificia Universidad Católica del Perú

### **ABSTRACT**

This paper shows the impact of ethics on business, where ethics are divided into several sections, including personal ethics, social ethics, religious and professional ethics. This research will focus on ethics policy in business and the importance of imposing it on employees and managers in the companies. Followed by the results of their application to employees and customers. This research employs a descriptive methodology, using literature studies as source of theories. The study case is taken in a Nissan company based in Japan.

**(1) ETHICS:** moral principles that govern a person's behavior or the conducting of an activity.

**(2) IFAC:** international federal of accountants.

**(3) AUDITING:** an official examination or inspection of various books of accounts by an auditor followed by physical checking of inventory to make sure that all departments are following documented system of recording transactions.

### **How ethics affect business**

#### **Introduction:**

Business ethics is the application of general ethical ideas to business behavior. It's important for any company to be ethical because with ethics policy there will be application of punishments on staff employees from doing any immoral act and there will be rewards to encourage them to be more ethical.

All successful companies follow the ethical rules and standards for many reasons. Good ethics in a company gives employees high satisfactions and makes them more productive where the human elements is the real capital for any organizations, because they are responsible for production and profits. Moreover, when customers see the employees and the company following the ethical standards they will be more comfortable and reassuring and that help to build a strong relationship between the customer and the company. Good ethics encourage the vendors to work with the company and that brings about more business referrals to the organization.

### **Why should the companies be ethical?**

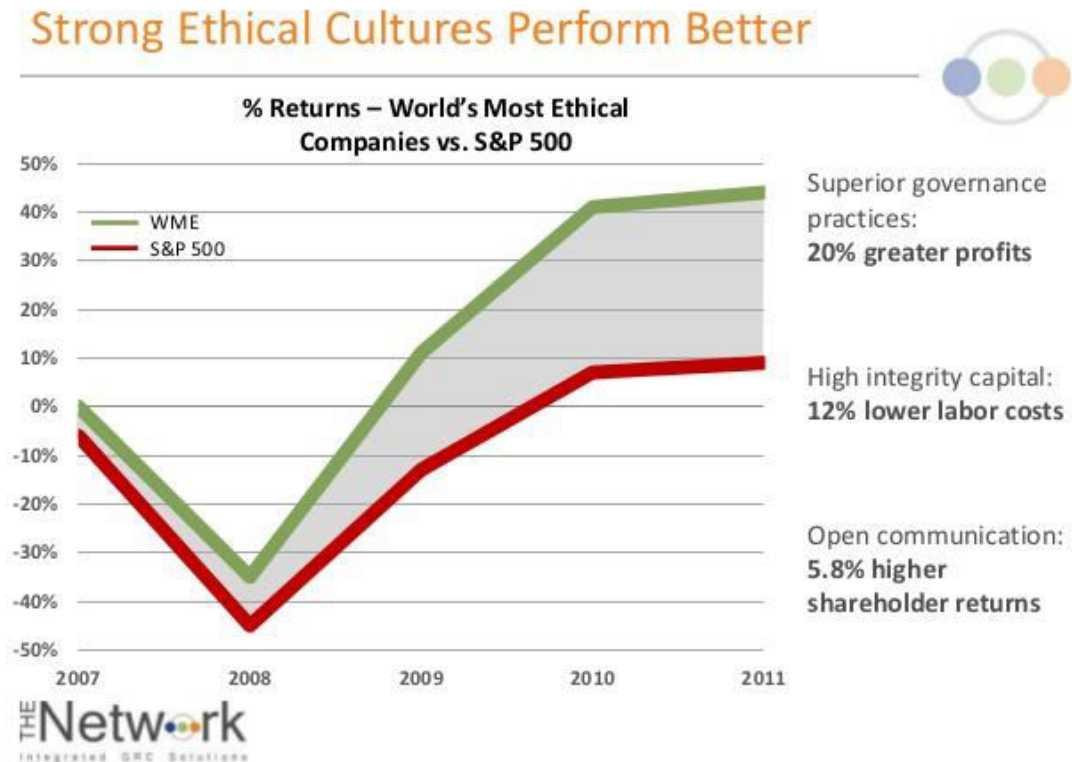
Business ethics is a form of applied ethics that examine ethical principles and moral problems in the business environment. Since the beginning of the 21<sup>st</sup> century there has been an increase in demand for more ethical processes in business and procedures are known as (business ethics). There are a lot of results show that companies that follow the ethics policies and promote the high level of ethical behavior are more successful and owns a strong market image with strong market shares and have overall work satisfaction. According to a 2010 Kenexa Research institute study in the U.K. Ethical behavior is necessary for any society and organization, there is no doubt that the need for ethics in business is sufficiently important to gain profit and achieve the desired goals.



Companies should be ethical and that help them to meet demands of business stakeholders, enhance business performance and comply with legal requirements.

If the company is ethical it therefore works on the approach of justice and democracy, which help the employees to work with satisfaction and confidence and that enhance the company reputation and performance because the personal gain and selfish interest which called the ethical egoist will gradually disappear.

The coming chart shows the positive relationship between profits and ethics and how they are related:



There is a strong relationship between ethics and profits, ethical companies that follow the ethical standards will get a high trustworthiness, respect, responsibility, fairness and caring. All these achieves positive financial performance.

That means that the company has a positive and high NCF net cash flow, NI net income, and liquidity.

#### **Why managers and employees must learn about the business ethics?**

A growing number of companies are also requesting staff to attend seminars about business ethics, which often include discussion of company policies, specific case studies and legal requirements. Some companies even require employees to sign agreements stating that they will be abide and committed by the company's code of conduct. Companies support and encourage their managers and staff to learn more about the ethical dilemmas and that helps them to create a defense industry initiative, to promote and ensure ethical business practice.

Managers are responsible for reporting to the CEO chief Executive Officer and also they are responsible for assessing the ethical impact of the company's activities, making recommendations on corporate ethical policies, and disseminating information to employees. They are particularly interested in detecting or preventing immoral and illegal acts in the company for that they should be aware and learn how to recognize the ethical dilemmas in company and try to analyze any problems occurred to minimizing their impact on the company.

Managers are key to whether a company and its employees will act ethically or unethically, because they are the people who form the link between the company and the staff and its objectives, and they have more opportunities than others to make decisions in the company.

If the company promoted their managers especially the top managers with moral principles and values, it will certainly eliminate many threats such as, self-interest, self-review, advocacy, familiarity and intimidation threat, which enhance to improve the financial performance.

Managers must learn more about ethics to know how to confront the financial crises that may be affected the company and know how to get out of them with the least possible losses instead of forging the accounting books and the financial statements.

Ethics help managers and employees to avoid theft and selfish interest. According to essential of Sarbanes-Oxley book "a code of ethics should include the prohibition of all activities or circumstances that result in a conflict of interest".

If the managers learn about ethics standards they will focus on the company interests and profits instead of focusing on themselves.

### **Why managers and employees must understand the ethical dilemmas?**

The intellectual dilemma of business ethics in organizations suggests that ethics is almost the most difficult issue in business organizations, which is related to employee performance, which in turn gives an important indication of the success of the companies, so it's necessary to learn and view ethics as normative principles rather than theories or methods.

Ethical dilemmas are a situation a person face in which a decision must be made about the appropriate behavior. When managers and employees learned about the ethical dilemmas they will be more effective to solve any ethical problems in the company, they will know the reasons behind any problem and how to analyze it and minimize it in the future and they will have full experience in using the ethical theories correctly.

According to Anne T. Lawrence/ James Weber in the book of Business and Society "There is no company devoid of ethical issues for several reasons such as, personal gain and selfish interest, competitive pressure on profits, conflicts of interest and cross-culture contradictions." (pp.76).

Managers and employees must be aware about these issues in order to follow the ethical behavior and feel that they all are equal, which helps the company to in this case the company will be able to get a strong reputation in the market.

Managers and employees need a set of decision guidelines which help to minimize the ethical issues. For example, they should learn how to be fair, honest, respectful, and able to listen to any opinion or criticism and how to be peaceful with others.

Managing ethics dilemmas in business environment requiring managers and employees to engage in a concentrated effort which involves espousing ethics, behaving ethically, developing screening mechanisms, providing ethical training, creating ethics units and reinforcing ethical behavior (W. Edward Stead, Dan L. Worrell, Jean Garner Stead).

Learning the ethical issues that arise at work by using the four reasoning methods: virtue ethics, utilitarian reasoning, rights reasoning and justice reasoning will assist to analyze the ethical issues and create a friendly relationship in the company.

### **Accounting and Audit Ethics:**

Accounting is a collection of ways to record, audit, analyze and communicate financial transactions to assist in decision making on any finance issues. Accounting need to identify the rate of profits and losses in the company, for that the accounting ethics required for any organization.

The ethics of accounting imposes on the accountant in recording the financial figures of the establishment in full position. The main pillar of objectivity is independence, which means that the accountant doesn't consider interest conflicts, but in fact accountants often are faced with conflicts of interests.

Accounting ethics make an environment of trust for its customers and society. When the accountant takes any non-moral decisions, he will profit by them for a short period of time then he will harm himself and will harm the company like what's happen to Enron corporation.

After Enron crisis Sarbanes Oxley Act, which is a U.S federal securities law passed in 2002 that provided for additional regulation of public companies and their auditors, the Act established the public company Accounting Oversight Board and also requires audit the effectiveness of internal control over financial reporting (Arens, Elder, Beasley, Hegazy pp.4).

Accounting ethics require that accountants and auditors must be provided with qualities such as trust, confidentiality, cooperation, professionalism, disclosure, integrity and objectivity.

All these requirements help to create a comfortable environment in which the client feels he will be treated fairly. Ethics means transparency in accounting and financial affairs, and builds trust within the community and between investors and customers. Once the company loses the trust of the community it's difficult to recover it again or to gain it again. Moreover, the accountant is a person who reviews the sensitive financial secrets of the establishment. This information can be used by others to their advantage or to discredit their competitors. Accounting ethics restricts

the flow of information only to persons designated by name. Cooperation and participation in ideas is required by accounting ethics because it will be difficult to benefit the company without sharing the information, ideas and skills with the company colleague. Accounting ethics helps the accountants to work at the highest level and to continue to achieve the scientific achievements. Accountants should not be affected by any client that tempts him to pay money if he forging and manipulate the accounting books.

Accountants should show the real image of the company and earn the trust of the customers and the public through disclosure. Accountants should follow the principles set forth by the American Board of Certificate Public Accountants and established by the institution and comply with these principles. The accountant should not forge the numbers recorded in the accounting books or encourage anyone to do so, or sign any financial statements that are not true and false. Professional accountant should not allow bias or allow others to change his professional judgments, he must comply with relevant laws and regulations and avoid any action which would discredit the profession. The objectivity and independence is the basis of neutrality and justice, the accountant must be aware of them, before issuing any decisions or judgments accountant should analyze and collect evidence which confirm his opinion and decision. Accounting ethics imposed accountants to be independence from the administration to not be affected by them. According to the audit standards and ethics code of Public Accountant Professions, public accountant needs to maintain his independency. Auditor who in independent in carrying out his duties should be neutral and not take sides on any party to avoid conflicts of interest (Arens, Elder& Beasley, 2012; IAPI, 2011).

### **Supply Chain in business**

The main purpose of supply chain is to satisfice the costumer. This involves from developing of the products to the post service par. Supply chain involves the suppliers, the manufacturer, transports, sellers, storekeepers, etc. The main goal of the supply chain is to maximize the value generated. According to Sunil Chopra, Supply chain there are 3 main stages of decisions: *Strategy of the supply chain*, in this part the company look for a plan to structure the supply chain; *Planning of the supply chain* helps on obtain the value generated; and, finally, the *supply chain operations* is to manage in the best way all the requirements of the customers (Sunil, 2013).

But that's only what all the big companies use to look for in Supply chain. There are all a lot of procedures to analyze in the Supply chain, like what do the company do with the components that are out of use or with the returned products. So, a part of these investigations is to study of what Nissan company do with:

- Returned Products
- Discarded products in the production process
- Reutilizations
- The use of recycle products

The first one, looks for a good policy of products return. This is a good interrogate because help us to notice the management of the returns and to know which part of the supply chain is not working good and, also, to know how to manage the return products, if it is going to go the garbage or its going to be recycle. This also impact on the costs because it represent a loss of sales. So the best way to reduce the reverse logistics is to try to minimize the returned products. And it can be work by improving the quality of the production (transportation, storerooms, manufacturing, products suppliers, etc.)

### **Reverse logistics**

Nowadays, people are used to ignore what is next when the product life cycle conclude. What many companies do is always analyze how to reduce the material, manufacturing and implementing cost. So when a product life cycle concluded what companies used to is to burn, but the worst part of it is that environmental damage that is causing. The main goal of implementing reverse logistics is to ensure the correct elimination of the material or component. (Parada, 2010 )

It is applied by many companies as a resource to minimize the environment impact. The beginning of the reverse logistics was in the 80s and it started because of in that period of time the people against environmental damage increased. Because of this the companies chose to implement measures to reduce the negative impact.

Reverse Logistic always look for efficiency and profitability by planning, implementation and control of the products that return. This kind of logistics is not only focused on the environmental impact, it also effects on rentability. Some of the advantages of this are:

- Create an image of a company responsible for the environment
- Cost Reduction
- Minimize the environmental device.
- Nissan motor works on ethics in logistics even in the purchasing part. When a purchasing agent from Nissan visit the parts supplier they cannot accept an invitation of anyways because they are taught to do not do that because it's a part of the code of conduct. The employees of Nissan cannot accept any type of invitations or gifts from the suppliers, this politics helps on no gossiping, no preferences on suppliers, no corruption.

### **Nissan Company Case**

According to the Case, Nissan must show high level of ethics, transparency and also a strong foundation for the organization. Nissan have a lot of stakeholders around the world, so it is important that they display all the initiatives to all of them, in order to ensuring the high ethical standards and compliance of all the employees.

Nissan to keep the transparency, they build up a corporate governance system. This system lets manage the potential risks and help along to achieving the business goals. Nissan also has set up global management systems that contribute the good behavior of all the employees and business partners by the training programs.

Nissan consider that one of the most important business issues is enhancing corporate governance. So the three pillars of the company are *construction of a system in which management responsibility is clear and transparent, compliance built on high ethical standards of all the employees; and an effective and appropriate risk management system.*

For example in Latin America, Nissan come up with compliance, which helps the company in *risk prevention, Nissan image protection, the trust with the client, and with the protection against the fraud.* In Latin America, Nissan teach to the employees that there are some actions that are no allow in the company like, for example, if one piece of the car is not working and they put it on the garbage, it doesn't mean that the employee can take it because that *part* is still from the company. They take this precaution because it that part of the car is not working and somebody take it, it can occur an accident and the imagen of Nissan will be damage too.

Nissan also use a code of Conduct, which helps the good relationship between the employees with the manager. The company policies and rules must be applied by all the Nissan Companies which are in all over the word. One of the rules is to be *transparent and accountable*, this protect the business activities and also the integrity of their stakeholders, management, etc.

One of the lasts news of Nissan in 2017 was about the use of improper certification practices during the assembly process at Nissan Factory so after the inspections they needed to recall about 1.1 million cars to inspected and certified again. Now it is uncertain the quality of the assembly procedures because if they didn't pay enough attention to the certifying, it could be a possibility about have errors in the assembling. (Autoweek, 2017)

### **Conclusions**

One of the main problems of a company is to control every part of its supply chain, and the ethics that have all the work within it. Good ethics in a company gives employees high satisfactions and makes them more productive where the human elements is the real capital for any organizations, because they are responsible for production and profits. If the workers in Nissan Company would speak out about the improper certification practices they would save a lot of money of redoing it and also their image wouldn't be damage.

Reverse logistics is also a very important part that every company should be focus on, because according with the macro-environment that people are living on global warming is affecting, so it also show about ethics if you care about the impact of your product in the environment.

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