

# What is Ethical Business Practice and Regulation?

*Excerpt from Ethical Business Practice & Regulation - by [Christopher Hodges](#), [Ruth Steinholtz](#)*

This book explains why any organisation of human beings is more likely to succeed in its objectives if all the people involved aim to, and do, behave ethically. There is a considerable amount of solid scientific evidence that supports the idea that joint human endeavours will flourish when people do so. It is now accepted in business management that companies perform best if they have clear ethical values and behave in accordance with those values, involving all stakeholders.

We apply these lessons to the regulatory relationship between public authorities and businesses. We propose a model of an ideal regulatory relationship between authorities and businesses: Ethical Business Regulation (EBR). Adopting EBR will maximise good outputs for both business and regulators, and their respective stakeholders—society, staff, customers, suppliers and investors. To achieve EBR, both regulators and businesses need to adopt ethical practice. On the business side, we call this Ethical Business Practice (EBP).

## The Essence of Ethical Business Practice

An organisation in which the leaders consciously and consistently strive to create an effective ethical culture where employees do the right thing, based upon ethical values and supported by cultural norms and formal institutions. EBP requires people who can recognise ethical dilemmas, challenge constructively, speak up if they know or suspect unethical behaviour, and who use mistakes and wrongdoing as an opportunity to learn and improve. Engagement with EBR then requires the organisation to be open with its regulators and provide evidence of EBP.

## Ethical Business Regulation

A relationship between a business, or a group of businesses, and a regulator, or group of regulators, in which the business produces evidence of its ongoing commitment to EBP and the regulator recognises and encourages that commitment.

***Read more in:***

## Ethical Business Practice and Regulation

A Behavioural and Values-Based Approach to Compliance and Enforcement

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