

## Grade-12 BUSINESS STUDIES

### CHAPTER-36 -INTERNATIONAL BUSINESS ETHICS

Ethics are moral guidelines which govern good behaviour.

So behaving ethically is doing what is morally right

Behaving ethically in business is widely regarded as good business practice

An important distinction to remember is that behaving ethically is not quite the same thing as behaving lawfully:

Ethics are about what is right and what is wrong

Law is about what is lawful and what is unlawful

An ethical decision is one that is both legal and meets the shared ethical standards of the community

Businesses face ethical issues and decisions almost every day – in some industries the issues are very significant. For example:

Should businesses profit from problem gambling?

Should supermarkets sell lager cheaper than bottled water?

Is ethical shopping a luxury we can't afford?

Should fashion retailers use suppliers who don't pay a living wage?

Should supermarkets dispose of out-of-date groceries or give them to food banks?

You will probably note the link between business ethics and corporate social responsibility (CSR). The two concepts are closely linked:

A socially responsible firm should be an ethical firm

An ethical firm should be socially responsible

However there is also a distinction between the two:

CSR is about responsibility to all stakeholders and not just shareholders

Ethics is about morally correct behaviour

How do businesses ensure that its directors, managers and employees act ethically?

A common approach is to implement a code of practice. Ethical codes are increasingly popular – particularly with larger businesses and cover areas such as:

Corporate social responsibility

Dealings with customers and supply chain

Environmental policy & actions

Rules for personal and corporate integrity

Are ethics important for business and if so, why?

Pro:

-businesses have big impact on societies through power and influence, which would make them carry responsibility for it.

-Malpractice can cause harm to society, the environment or individuals.

-Stakeholder demand more ethical behavior from companies

Con:

- Friedman: Only humans are responsible for their actions

- managers are responsible to act in interest of shareholders exclusively

-Social Issues should be dealt with by states not businesses

Benefits of business ethics

employee commitment:

- Development of an ethical culture leads to employee retention and loyalty, which increases employee performance

Investor Loyalty:

Investors are aware of the contributions of ethical conduct in providing a foundation for efficiency, productivity, and profits in a firm

-Customer satisfaction:

Companies viewed as socially responsible gain a high amount of customer trust and satisfaction

-profits:

Ethical culture helps a company stay ahead of its competitors, thereby gaining more profits