
Business ethics

2017-18

ETHICS

Business ethics: considering the *rights and wrongs* of a decision, focusing on a strategic level

- ▶ *unethical* and *illegal*: dumping waste on roadside
- ▶ *unethical* and *legal*: relocation for fiscal reasons

ETHICS OF STRATEGIC DECISIONS

- ▶ *Environment*: MNC and environmental standards
- ▶ *Animal rights*: animals as test products
- ▶ *Workers in developing countries*: low production costs & worker exploitation
- ▶ *Corruption*: bribes in corrupt systems
- ▶ *New technologies*: nuclear energy, GM products, cloning
- ▶ *Product availability*: drugs for selected illnesses
- ▶ *Trading issues*: trade embargoes, sanctions

CODES OF PRACTICE

Ethical codes of practice may contain statements about:

- ▶ environmental responsibility
- ▶ dealing with customers & suppliers in a fair/honest way
- ▶ fair competition without *collusion* and *destroyer pricing*
- ▶ respond to worker's needs

ETHICAL OBJECTIVES

EXAMPLES

Company may decide not to

- ▶ do tests on animals
- ▶ be fair with its suppliers
- ▶ accept bribes

Explicit objectives vs. *implicit* objectives

- ▶ explicit objectives: part of its image
- ▶ implicit objectives: unwritten and part of corporate culture



CORPORATE SOCIAL RESPONSIBILITY (CSR)

AUDIT AND INDICATORS

- ▶ *Employment indicators*: pensions, healthcare benefits, union representation, training
- ▶ *Human rights indicators*: trade unions, child labour, human rights, discrimination
- ▶ *Communities in which business operates*: charities, financing local schools, hospitals, ...
- ▶ *Business integrity and ethics*: breaking legislation, political contributions, unfair competition
- ▶ *Product responsibility*:
- ▶ *Environment*: energy, water used by business

PAY AND REWARDS

USE OF PAY/REWARDS

- ▶ *attract* employees with right skills/experience/knowledge
- ▶ *reward* and *motivate* existing staff
- ▶ *maximise* productivity level

UK national minimum wage:

21+	£6.70 per hour
18-20	£5.30 per hour
16-17	£3.87 per hour
apprentice	£3.30 per hour

TRADE-OFFS BETWEEN PROFIT AND ETHICS

KEY TERMS

- ▶ **Corporate Social Responsibility (CSR):** a business assessing and taking responsibility for its effects on the environment and its impact on social welfare. It involves the idea that businesses bear a responsibility that stretches beyond their shareholders
- ▶ **Ethical codes of practice:** statements about how employees in a business should behave in particular circumstances where ethical issues arise
- ▶ **Ethics:** in the context of business ethics, consideration of the moral 'rights and wrongs' of a decision at an often strategic level, in accordance with the law, and a business's code of conduct in relationship to Corporate Social Responsibility

KEY TERMS

- ▶ **Living wage:** an hourly rate of pay based on the basic cost of living, set independently of government and update annually
- ▶ **National Minimum Wage:** the minimum pay per hour all workers are entitled to by law
- ▶ **Remuneration:** the reward for work in the form of pay, salary or wages, including allowances and benefits, such as company cars, healthy insurance, pension, bonuses and non-cash incentives
- ▶ **Sanctions or Trade embargoes:** sanctions are restrictions imposed on trade or investment with the aim of influencing a policy change in another country. Trade embargoes can be included in sanctions, where commercial shipments are banned in and out of a particular country, or where an embargo is placed on a particular product

KEY TERMS

REVISION OF CHAPTER 30

- ▶ **Consumer income:** The amount of income remaining after taxes and expenses have been deducted from wages
- ▶ **Consumer trends:** The habits or behaviours of consumers that determine the goods and services they buy
- ▶ **Economic growth:** The rise in output of an economy as measured by the growth in Gross Domestic Product (GDP), usually as a percentage
- ▶ **Economic variables:** Measures within the economy which have effects on business and consumers. Examples include unemployment, inflation and exchange rates

KEY TERMS

REVISION OF CHAPTER 30

- ▶ **Extrapolation:** Forecasting future trends based on past data
- ▶ **Forecasting:** A business process, assessing the probable outcome using assumption about the future
- ▶ **Sales forecast:** Projection of future sales revenue, often based on previous sales data
- ▶ **Time series data:** A method that allows a business to predict future levels from past figures

KEY TERMS

REVISION OF CHAPTER 31

- ▶ **Average cost or unit cost:** The cost of producing one unit, calculated by dividing the total cost by the output
- ▶ **Fixed cost:** A cost that does not change as a result of a change in output in the short run
- ▶ **Long run:** The time period where all factors of production are variable
- ▶ **Profit:** The difference between total costs and total revenue. It can be negative.
- ▶ **Sales revenue:** The value of output sold in a particular time period. It is calculated by price \times quantity of output

KEY TERMS

REVISION OF CHAPTER 31

- ▶ **Sales volume:** The quantity of output sold in a particular time period
- ▶ **Semi-variable cost:** A cost that consists of both fixed and variable elements
- ▶ **Short run:** The time period where at least one factor of production is fixed
- ▶ **Total cost:** The entire cost of producing a given level of output
- ▶ **Total revenue:** The amount of money the business receives from selling output
- ▶ **Variable cost:** A cost that rises as output rises