

Unit 6: Chapter 23

ETHICAL, SOCIAL AND ENVIRONMENTAL
RESPONSIBILITY



Learning Outcomes from this chapter

On completion, you should be able to:

- Define 'business ethics'
- Outline how a business can improve its business ethics
- Explain what a code of ethics is and the benefits and challenges to a business of introducing one
- Discuss the social responsibilities that a business has to its stakeholders
- Identify important environmental issues in business
- Analyse the impact of environmental issues on a business
- Describe the characteristics of an environmentally conscious business
- Outline how a business can become more environmentally conscious
- Analyse the impact of being ethically, socially and environmentally responsible on the revenues and costs of a business

Business ethics

These are a set of moral rules and standards that provide guidelines for right and truthful behaviour in business situations when a business is engaging with its various stakeholders.



How a business can improve its business ethics

Reward whistleblowing	Encourage staff to report unethical behaviour they see in the workplace.
Establish a code of ethics	Create a formal written statement outlining the expected moral behaviours within the business.
Offer ethics training	Provide induction/regular training on ethics, and how to improve them.
Discipline poor behaviour	Fine, demote or dismiss staff for breaches of the company's code of ethics.
Carry out an ethical audit	Appoint an external company to identify areas for improvement and issue a report with recommendations.
Highlight role models	Reward good behaviour.

Benefits and challenges of introducing a code of ethics

Benefits

- Involves staff in decision-making
- Sets high standards for staff to follow
- Improves reputation and brand image
- Creates clear rules and procedures
- Encourages whistleblowing

Challenges

- Difficult to change culture
- Needs to remain up to date
- Difficult to enforce
- Training costs (time and money)

Corporate social responsibility (CSR)

It is the duty of a business to treat everyone they come into contact with honestly and fairly, making a positive contribution to the environment they operate in.



CSR of a company to its stakeholders

Investors	Honest and transparent reporting of the company's financial position; pay out reasonable dividends based on profits
Employees	Pay a fair wage; provide proper working conditions and hours
Customers	Be honest in advertising and when informing the consumer about ingredients, processes and sustainability of materials; ensure customers are not misled or hurt in any way
Suppliers	Follow a fair tendering process; pay promptly; avoid taking on too much credit
Government	Pay tax owed to Revenue in full and on time; obey the law

Characteristics of an environmentally conscious business

Seek advice	Consult with stakeholders, look for help/information from the EPA
Be honest	Report all accidents/breaches and take responsibility for them
Provide training	Make staff aware of environmental responsibilities; provide resources
Minimise waste	4 Rs (reduce, reuse, recycle and recover); no illegal dumping of waste
Be open to change	Update and improve processes, packaging, recycling
Renewable energy	Use solar or wind energy instead of non-renewable fossil fuels (e.g. gas or oil)

Characteristics of an environmentally conscious business (*cont.*)

Sustainable development	Change products/processes to avoid overusing non-renewables
Cleaner processes	Remove excess packaging and waste; use durable inputs to prolong life
Code of ethics	Create a formal written statement that sets out the expected modes of behaviour in relation to the environment and local community
Reduce pollution	Reduce emissions; prevent accidental releases of gases; aim for pollution prevention, rather than pollution control
Greener products	Invest in research to develop new products that are less harmful for the environment

How meeting social, ethical and environmental responsibilities affects a business

Impact on business costs:

- Higher wages
- Higher manufacturing costs
- Higher installation costs for new resources (e.g. solar panels)
- Lower costs from fewer fines
- Lower long-term energy costs from renewable sources

Impact on business revenue:

- Increased sales
- New market segments